THE FREEMAN

IDEAS ON LIBERTY

Adam Smith in China

by James A. Dorn

"Deliberative Democracy" Dementia

by James Bovard

Trade and Diversity

by Stephen Davies

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The Freedom in Fiction Prize is an international prize that honors the best unpublished works of fiction with the greatest potential for imparting the ideas of free markets, liberty and personal responsibility across a wide audience in a positive manner. The contest is open to all individuals who meet the requirements set forth under the "competition rules." A panel of judges will pick the winning author, who will receive a $10,000 cash prize, with an opportunity to win a total of $100,000.

Points of Interest

- Applicants must be at least 18 years of age.
- All entries must be completed in English.
- Entries must be works of fiction, not previously published.
- Authors are required to submit two sample chapters and book outline to the project manager by January 1, 2008. The author must submit the first chapter, and one other chapter of choice. The outline should include a summary discussion of the major themes within the book and the major characters (hero & villain) that they believe qualify them to enter the contest. Characters that demonstrate an appreciation for liberty, and/or explicitly or symbolically oppose government oppression or restraints on their freedom should be essential elements of any submitted work of fiction. Outlines should be no longer than 2 pages in length.
- Please contact Mr. Justin W. Marshall for complete competition rules and entry form.

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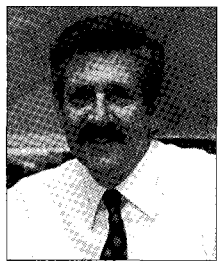

Freedom and the Role of Government

BY RICHARD M. EBELING

What is the role of government? This has been and remains the most fundamental question in all political discussions and debates. Its answer will determine the nature of the social order and how people will be expected and allowed to interact with one another—on the basis of either force or freedom.

The alternatives are really rather simple. Government may be narrowly limited to perform the essential task of protecting each individual's right to his life, liberty, and honestly acquired property. Or it may be used to try to modify, influence, or dictate the conduct of the citizenry.

In the first case, the government is assigned the duty of impartial umpire, enforcing the societal rules against assault, murder, robbery, and fraud. All human relationships are to be based on mutual consent and voluntary association and exchange.

In the second case, government is an active player in people's affairs, using its legitimized power of coercion to determine how the members of the society may live, work, and associate with each other. The government tries to assure certain outcomes or forms of behavior considered desirable by those who wield political authority.

We need to remember what government ultimately is all about. This was concisely explained by the Austrian economist Ludwig von Mises: "Government is in the last resort the employment of armed men, of policemen, of gendarmes, soldiers, prison guards, and hangmen. The essential feature of government is the enforcement of its decrees by beating, killing, and imprisoning. Those who are asking for more government interference are asking ultimately for more compulsion and less freedom."

Under a political regime of liberty, each individual gives purpose and moral compass to his own life. He is treated as independent and self-governing; as long as he does not violate the rights of others he is sovereign over his own affairs. He may choose and act wisely or absurdly, but it is his life to live as he pleases. If any of us—family members, friends, or just concerned fellow human beings—believe someone has chosen a path to perdition, we may try to persuade him to mend his ways. But we are expected to respect his freedom; we may not threaten or use force to make him change course.

Nor are we allowed to use political power to manipulate his options so that he does what we want him to do. Using taxation and regulation to induce conduct more to our liking is no less a political imposition than the sterner and more explicit police power.

The totalitarian systems of the twentieth century used the direct means of command and prohibition to get people to do what a Stalin, Hitler, Mussolini, or Mao wanted done. In the interventionist welfare state such brute means are normally shunned for the more indirect and subtle method of influencing people's behavior through manipulation of incentives. Suppose an individual stands at a crossroads and is told he may choose which way to go. But in front of one of the roads is a government toll booth, while in front of the other is a machine that dispenses a cash subsidy from the state. The choice is his, but the tradeoffs have been manipulated to influence his decision. In the 1950s the French coined a term for this type of political control: indicative planning. Through the use of fiscal and regulatory powers the government could get people to do what the politicians, bureaucrats, and various special-interest groups wanted, all the while maintaining the illusion that people were freely deciding where to invest or work or carry on their business.

Recently the well-known movie critic and editorialist Michael Medved devoted two newspaper columns to contrasting the liberal and conservative worldviews. Modern American liberals, he explained, are all about

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government solving problems of "victimhood" and alleviating the effects of claimed private-sector oppression of the poor and the weak. They wish to use the power of government to redistribute wealth from the rich to the supposedly needy and deserving. They want to use the regulatory power of the state to assure certain "ethically desirable" patterns of employment and to divert business from producing things without "real" social value.

Medved also emphasized that these policies often reward and reinforce the wrong types of behavior by not requiring people to bear the consequences of their actions, resulting in a weakening of the character and spirit of self-reliance among large segments of the population.

What, then, distinguishes a conservative from this contemporary American liberal? Medved tells us that "The essential instinct behind modern conservatism goes beyond a desire for small government. . . . Above all, conservatives feel impelled to make clear distinctions between right and wrong. In deciding where society should confer reward or punishment, conservatives consider whether behavior's been right or wrong." Furthermore, he considers free markets and the profit-and-loss system as good only because they "encourage wholesome, constructive choices."

The conservative, as understood by Medved, therefore, wishes to use the power of the state to assure wholesome conduct by the citizenry. If the liberal wants to tax inheritance to prevent some from having a financial advantage over others, the conservative wants to use the tax system to give a differential "reward" for the meritorious choice to leave more wealth for the next generation. The conservative wants to use the legislative and regulatory authority of government to induce the "right" social choices concerning the nature of families and the quality of communities.

Medved concludes his brief explanation by saying that the key to the conservative worldview is that "the choices we make in this life, for better or worse, carry consequences both practical and eternal."

Under Medved's understanding, conservatism is not about freedom, but is merely a competing system of social engineering. Like the modern liberals, he also believes it is the duty of government to influence and modify people's behavior. His only dispute with the liberals concerns the particular purposes for which the fiscal and regulatory tools of the state should be applied. He accepts the market economy only as long as it generates those outcomes he considers "wholesome" and "constructive." He presumably is willing to regulate the market if its outcomes are not to his liking.

Liberty the Highest Political Good

The great nineteenth-century historian and Christian classical liberal Lord Acton once said, "By liberty I mean the assurance that every man shall be protected in doing what he believes his duty against the influence of authority and custom, and opinion." For this reason, he declared that the securing of liberty "is the highest political good."

How can men be free to follow their conscience if they are not free from political control?

A conservative like Medved may reply that not all men are strong enough to do what conscience and duty require of them. But moral conduct is not fostered when the political dice are rigged to assure certain outcomes. Indeed, government weakens the development of character when it manipulates the tradeoffs.

Furthermore, once the state is given the responsibility to see that we do the "right thing," we have no certainty that those empowered to implement the necessary policies will share our values and beliefs. We may be setting up the institutional mechanisms for the government to undermine the very ideals we hold most dear.

Finally, the very notion of a free society is threatened by viewing people as objects to be manipulated rather than as unique individuals, whose very individuality as special creatures of God and nature should be treated with dignity and respect: as free men and not as bondsmen to be used and abused by an earthly Lord, whether that Lord is labeled "liberal" or "conservative."

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Perspective

Inequality Matters

In the controversy raging over whether income inequality in America is growing a lot or a little, some pro-market people say it doesn't much matter. This attitude is unjustified, not to mention harmful to the cause of individual freedom because it misses the bigger picture.

How could growing economic inequality not matter? I'd understand that position if the American economy were not saturated with government actions that serve privileged interests. Under those circumstances, we could say, with Ludwig von Mises, "Inequality of wealth and income is an essential feature of the market economy. It is the implement that makes the consumers supreme in giving them the power to force all those engaged in production to comply with their orders."

But we live in an economy that is far from a free market. The hand of government is pervasive—and not just in the obvious ways. There is an invisible *political* hand, which is different from the invisible hand Adam Smith famously wrote about. In a thousand ways, government intervention at the behest of dominant business interests squelches competition and protects incumbent firms.

In itself, inequality born of political privilege should be worrisome simply on grounds of justice, even though the position of most income groups has improved in absolute terms. But the problem goes deeper. Writing at *The New Republic Online,* Bradford Plumer identifies another reason for concern: "Over the last few years, political scientists have been converging on the view that massive disparities in wealth and income really do distort the democratic process—by allowing a tiny segment of the population to wield outsized influence in the political realm. The idea isn't terribly groundbreaking—even casual observers of American politics know that money can buy power—but recent research is slowly nailing down exactly how this process works."

Plumer cites research by Larry Bartels of Princeton and Lawrence Jacobs of the University of Minnesota and Benjamin Page of Northwestern showing that influence with Congress and the White House in both domestic and foreign affairs correlates strongly with income. It doesn't seem to matter which party is in power.

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What Bartels and Jacobs/Page find is something that libertarians have theorized about for ages. When government has the power to determine the fate of economic affairs, getting hold of that power is paramount. Since the life and death of profit-seeking projects hang in the balance, people will spend huge sums of money to shape policy. Who is more likely to succeed in that form of competition, the rich or nonrich?

This is not to suggest that people who buy political influence act purely defensively and that the state is the only culprit. On the contrary, most of the growth of government in America came at the behest of business interests unwilling to trust their fortunes to free and unpredictable consumers.

The upshot is that in a corporatist state, wealth influences policy, which influences the distribution of wealth, which further influences policy. And so on, ad infinitum.

What can we do about it? What we shouldn't do is attempt directly (that is, forcibly) to redistribute wealth. It wouldn't get at the interventionist roots of the problem and would fail to distinguish legitimate economic gains from illegitimate political gains. Thus it would fall short by justice and incentive standards.

Moreover, as a solution it is logically flawed: If the political system is dominated by wealth, how can we be confident in any political approach to economic inequality? As Anthony de Jasay said in a related context, trusting government to solve the problem is like trying to jump over one's own shadow.

The key to ending politically induced inequality is to build a mass constituency for depoliticizing society. An appealing justification for radically reducing government power is that unjustified inequality would end and economic reward would be more closely aligned with service to consumers. To be sure, there would be income inequality in a true market economy. But it would most likely be less than we see today. How much less? We won't know until after the liberal intellectual revolution.

★ ★ ★

The government can't figure out the best way to assure safety on airplanes, but it's not the first time a mode of transportation was threatened by outlaws. Maybe we should take a page from the railroads' book. Becky Akers has the history lesson.

China has made great strides economically, but not so much politically. Who'd have thought there'd be a statue of Adam Smith in Chengdu? James Dorn asks. What's next, John Locke?

Politicians and pundits are mystified about how to reduce poverty. But as Jude Blanchette shows, we've had the answer all along.

The state interferes with our lives in big ways and small. So when is enough *enough*? Dick Foley wonders.

The hot concept in political thinking today is Deliberative Democracy. What is it and will it make any difference? James Bovard has the answers.

Japan is going through a fascinating transformation. It's becoming Americanized. Norman Barry explains.

It's politically safe to say, as the President does, that we are addicted to oil, as if running our cars and factories with it is irrational. Roger McKinney says that one person's addiction is another's intelligent use of resources.

Here's what our columnists have cooked up this issue: Richard Ebeling notes that the difference between conservatives and statist liberals isn't so great. Lawrence Reed contrasts love and power. Thomas Szasz shows that the First Amendment has limits when the subject is psychiatric abuse. Stephen Davies attributes cultural diversity to freedom. David Henderson pays tribute to the personal side of Milton Friedman. And Roy Cordato, reading yet another claim that a carbon tax would work miracles, protests, "It Just Ain't So!"

The book reviewers pass judgment on volumes about immigration, George W. Bush's big government, what a liberal world would look like, and how to shrink government.

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A Carbon Tax Will Fix Global Warming? It Just Ain't So!

BY ROY E. CORDATO

It amazes me how so many newspaper columnists have no qualms about voicing opinions on topics they clearly know nothing about. This is the case with Anne Applebaum, politics and foreign-policy writer for the *Washington Post*. In her February 6 column, "Global Warming's Simple Remedy," she announced her discovery of a "solution" to global warming that is "grippingly unoriginal [no argument there], requires no special knowledge of economics [if this were true Applebaum would be a well-positioned advocate], and is easy for any country to implement." What is this magic bullet? (Drum roll, please.)

A carbon tax.

Applebaum arrives at this insight by first laying the scientific foundation. She cites no fewer than two newspaper articles reporting on the February 2 release of the Summary for Policy Makers of the United Nation's report on global warming. The report, by the way, had not been fully written yet and was not scheduled for release until this month. So as not to mislead her readers into thinking that she is an "Annie come lately" to global-warming alarmism, she quickly assures them: "[D]on't get me wrong: I was convinced by the reigning consensus on global warming a long time ago." Apparently Applebaum read some newspaper stories after the release of the 2002 UN Summary for Policy Makers.

Applebaum's second step takes her away from the science and into the world of practical policy analysis. She turns to the Kyoto Protocol, the 1997 United Nations treaty signed by Bill Clinton but rejected in a 95–0 "sense of the Senate vote." Applebaum argues that Kyoto should be abandoned because "it creates a complicated and unenforceable system of international targets for carbon emissions reduction." (In my view, this is one of the few things going for it—just a different perspective, I guess.) It is this observation that brings her to the carbon tax.

> While the title of the article claims that a carbon tax would be a "simple remedy" for global warming, there is no mention of how or even if a carbon tax would have any noticeable impact on the climate.

Her main policy criteria are simplicity and ease of compliance. And, of course, the tax should be broad based. Heck, she almost sounds like Steve Forbes talking about a flat tax. Applebaum's approach is to tax everything that exhales CO_2, save human and animal respiration, although she doesn't say why this is left out. Maybe it's like the home mortgage-interest deduction in many flat-tax proposals—too popular to make elimination politically feasible. According to Applebaum, the tax should "be applied across the board to every industry that uses fossil fuels, every home or building with a heating system, motorist, and every public transportation system." And this could happen "without a U.N. committee, or a complicated international effort of any kind. . . ."

Here's the rub. While the title of the article claims

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that a carbon tax would be a "simple remedy" for global warming, there is no mention of how or even if a carbon tax would have any noticeable impact on the climate. In fact, neither short-term nor long-term climate change is even noted as one of the benefits of the tax. The only social "benefits" that she asserts will occur (evidence is not necessary when righteousness is on your side) relate to technological change, energy conservation, and fiscal responsibility.

First she asserts that the tax would "immediately . . . produce a wealth of innovations to save fuel, as well as new incentives to conserve." Of course the idea that the tax would induce people, to some degree, to cut back on the consumption of fossil fuels is trivial. If you want people to do less of some activity, you tax it. What is completely unsupported is the claim that it would be "immediate" and would "produce a wealth of innovation." To know this she would need to have a great deal of the "specialized economic knowledge" that just one line earlier Applebaum claims would not be necessary. She would need to know the amount of the tax, something she doesn't even discuss in the article; the demand for different kinds of energy; the elasticity of demand for electricity, gasoline, heating oil, and so on; and a long list of other variables. But even if her assertions were true, the presumed goal is not energy conservation per se but the reduction in future average global temperatures. On this point Applebaum is silent. By the way, so are nearly all other advocates of climate-change policies.

Then Applebaum gets to what she sees as the real benefit of the tax—more money. "More to the point, [the carbon tax] would produce a big chunk of money that could be used for other things." (Apparently she means things other than what those who have earned it want to use it for.) She goes on to suggest balancing the budget or "fixing" Social Security. As an aside, she also claims that there is "a foreign policy benefit." Countries that use the tax "would suddenly find themselves less dependent on Persian Gulf oil . . . ," proving my initial point that most columnists have no problem writing on topics they know nothing about. It is very likely that such a tax would *increase* dependence on Middle East oil because oil refiners would reduce their use of the most expensive oil first. Middle East oil happens to be the least expensive.

No Impact on Climate

Ultimately though, Applebaum makes no claims regarding the impact of her tax on climate change. This is typical. The dirty little secret behind nearly all the alarmists' policy proposals is that they will not have any noticeable impact on the climate. For example, assume that the Applebaum tax produces the same level of CO_2 emission reduction as the Kyoto Protocol, a result that she would apparently be happy with. Her complaint was that Kyoto was complicated and difficult to enforce, not that emission reductions were too small. The widely acknowledged best estimate of the impact of Kyoto on climate, assuming full compliance by all the countries that were originally intended to participate, is that global temperatures in 100 years would be 0.26 degrees F less than they would be if nothing were done. The Energy Information Agency says the cost to the United States of this unnoticeable change would be about 4 percent of GDP and millions of jobs.

But let's get real. According to well-known climate alarmist Dr. Jerry Mahlman of the National Center for Atmospheric Research, to stabilize CO_2 levels in the atmosphere at current levels, which he claims would still lead to a 1 degree *increase* in temperatures over the next 100 years, a 75 percent reduction in CO_2 emissions per capita would be required. A recent John Locke Foundation study calculated that this would take us back to about 1895 levels of per capita CO_2 emissions. Here is where I think Applebaum's assertions about immediate incentives to conserve would be correct. If she obtained a high enough tax—and the reader can speculate how high that would have to be because I sure don't know—undoubtedly it would have a powerful incentive effect.

On the other hand, there would also probably be a massive increase in worldwide poverty and even starvation and disease. Mahlman himself argued that the consequences of this radical a reduction would be "horrific." But it probably *would* reduce our dependence on Persian Gulf oil.

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Putting Security Back on Track

BY BECKY AKERS

You might think the threats confronting American aviation are unique and unprecedented, given the Transportation Security Administration's (TSA) unique and unprecedented regulations. Passengers must shed their shoes and they may carry aboard only three-ounce containers of liquids and gels, but "larger containers that are half-full or toothpaste tubes rolled up are not allowed." Screeners frisk arthritic grandmothers in wheelchairs as though they're hiding bombs instead of bunions. What sort of exceptional danger do we face if this is what it takes to counteract it?

But a wise man observed some 2,800 years ago that there's "no new thing under the sun." In fact, terrors similar to those plaguing the airlines once scourged another mode of transit. Yet it responded very differently. That explains its success in restoring safety—and it never once forced passengers to pad about barefoot.

Terrors similar to those plaguing the airlines once scourged another mode of transit. Yet it responded very differently.

Just as travel by air was born early in the twentieth century, so railroads began appearing early in the nineteenth. By the middle of their respective centuries, each was wildly popular for moving people and freight over distances previously unimaginable. Both also attracted criminal attention.

Although the motivations were different—robbers preyed on trains for personal profit, while political profit inspired the 9/11 catastrophe—the results were the same: dead customers and crew as well as terrified survivors. One witness described an attack by the famed "Hole in the Wall Gang": "Following close behind the [robbers'] shooting came a terrific explosion, and one of the [train's] doors was completely wrecked and most of the car windows broken. The bandits then threatened to blow up the whole car if we didn't get out. . . [W]e jumped down, and were immediately lined up and searched for weapons. They said it would not do us no good to make trouble, . . . that they had powder enough to blow the whole train off the track."

Trains carried gold bullion, safes stuffed with paper money, and bejeweled passengers with hefty wallets. Such riches lured predators like Frank and Jesse James, the Reno Brothers, and Butch Cassidy and the Sundance Kid. These thugs were often military veterans skilled at killing rather than the affable jokers of Hollywood legend. They destroyed track to derail trains and strand those aboard; punched, pistol-whipped, kicked, and shot passengers; kidnapped them and railroad employees; and plundered and murdered until their reputations were as fearsome as al Qaeda's. Indeed, the 9/11 hijackers could have partly borrowed their strategy from them because they often boarded with everyone else, waited for the train to get underway, and then left their seats to plunder and kill.

The railroads, like the airlines, might have turned to government for protection; they certainly never hesitated to demand the State's help in acquiring land, financing their operations, or enforcing a cartel to squash competitors. But aside from the rewards some states

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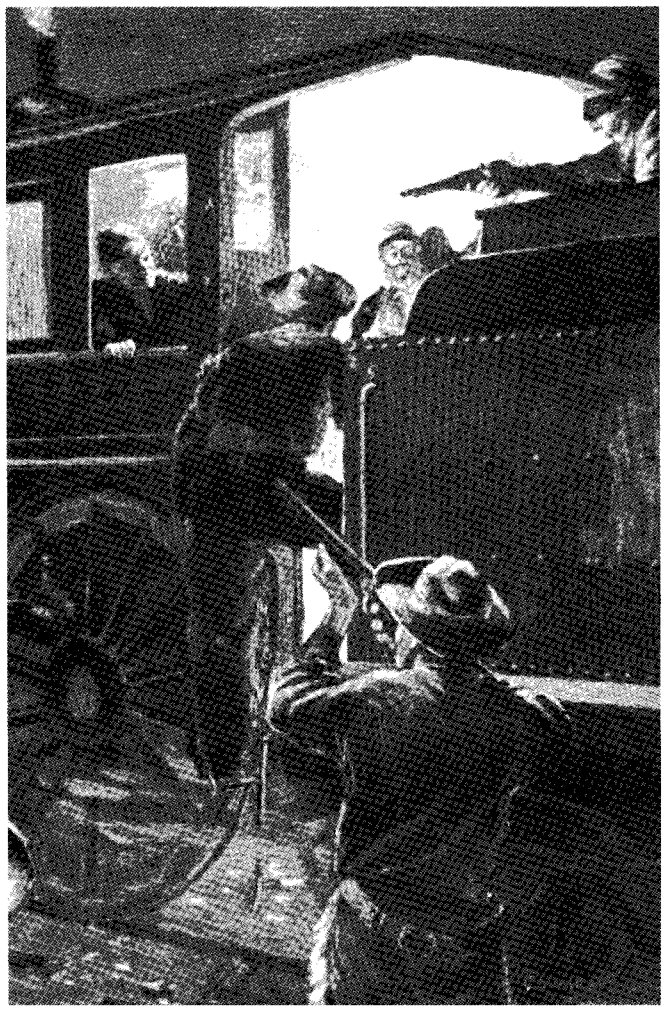
posted and the lawmen they paid for capturing criminals "dead or alive," the railroads assumed most of this responsibility themselves. That left them free to protect their passengers and equipment in ways prohibited to the airlines.

First, rather than relying on bureaucrats and hacks for security, the railroads hired the best companies available. Their agents concentrated on pursuing—literally—the culprits. They would have laughed at the idea that they should harass, search, and delay passengers at depots while waiting for the outlaws to come to them.

Catching those earlier terrorists was hard, heartbreaking work; perhaps that's why the TSA settles for screening passengers. An under-sheriff described the effort required to capture a single thief: "[T]he Wells-Fargo detectives and some of the railroad and Reno officials, together with a posse of citizens from Reno, had been out all day on a 'sure clue' which afterwards proved to be a false one. . . . It was now 10 o'clock at night and the snow was falling fast. [I] was out of [my] jurisdiction and unacquainted with that section of the country. . . ."

He and a guide eventually surprised his sleeping quarry at midnight: "When [I] finally aroused him to place him under arrest, he bounded from his bed and landed in the center of the room like a wild animal. Rushing back to the bed, he reached for his gun. . . ." Not surprisingly, agents sometimes died on the job. It's far safer and easier to search law-abiding passengers than to track criminals, but it's also useless: during the TSA's four-and-a-half years of existence, not one of its employees has caught a terrorist. In lieu of bad guys, then, the TSA protects us from each other, from flyers who break the agency's whimsical and ever-changing rules, from men named David Nelson (this name has unexplicably earned passengers close scrutiny) and Cat Stevens (aka Yusuf Islam), and from women wielding lipsticks. The list of mistakes and misdeeds that turn travelers into terrorists will continue to expand as the TSA tries to justify its existence and its $5 billion yearly budget—and as the government reaps revenue from the fines "terrorists" pay.

The railroads also confronted a real enemy. They neither lied nor exaggerated the risks because that would cost them customers. Contrast that with the bureaucrats at the TSA and its parent agency, the Department of Homeland Security. They depend on taxpayers' fears of ubiquitous, magically lethal terrorists for their jobs and cushy offices. (The TSA's headquarters boasts $500,000 worth of silk plants and artwork, a 4,200-square-foot fitness center, and seven kitchens.) So does their army of 45,000 airport screeners. Indeed, the government's incentives are not only perverse but directly opposite the railroads': the bigger the threat, the more government passengers "need" and the more eagerly they cede their freedom. The TSA has every reason to overstate the number of terrorists. And does: the notorious "No-Fly List" topped out at *325,000* names. Can there really be that many folks living in caves while dreaming of sky-high suicide? Even the TSA tacitly admitted that this was nonsense last November when it claimed to be pruning the roster by half. Still . . . 162,500 explosive cavemen?



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The TSA can espouse such balderdash because neither passengers nor markets influence it. That frees it from common sense and rational decisions. It responds solely to the politicians who created and sustain it. And as long as they profit from voters' fears, the TSA will pretend passengers are pathological. It charges them for the privilege, too, unlike the railroads. The latter footed their own security rather than expecting taxpayers to do so. That kept the hired hands accountable to the railroads, who were in turn sensitive to customers' demands for cheap, fast, safe, and convenient travel. No railroad executive in his right mind would have paid agents to sit inside the terminals, groping passengers and rifling their bags, while Jesse James rioted unmolested through the countryside.

> The railroads also confronted a real enemy. They neither lied nor exaggerated the risks because that would cost them customers.

Perhaps this was because both the railroads and the investigators started from a premise opposite that of the TSA. They considered passengers victims of the robbers, not accomplices who must be searched and surveilled. They neither disarmed them nor sought federal legislation to do it for them: One conductor begged passengers to lend him a revolver while a robbery was underway. He had apparently mislaid his—railroad employees often carried weapons, unlike the captain and crew on planes.

An Ounce of Prevention

Finally, the railroads prevented trouble before it started by denying tickets to trouble-makers. If a man aroused suspicion in the depot, railroad employees booted him off the premises. (The desire for profits protected customers from unreasonable suspicion: operators barred only those passengers who seemed truly threatening.) Federal law forbids such common sense to airlines.

Private security isn't a panacea. But weaning the airlines from taxpayer-funded, politically driven "security"—and from the federal straitjacket accompanying it—would result in the same no-nonsense approach the railroads took. Jets worth billions guarantee the airlines' scrupulous attention to providing their own foolproof protection. And repeat business comes only from living customers who reach their destinations in one piece.

Leaving security to the TSA, on the other hand, means that passengers and taxpayers will continue to be railroaded.

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Adam Smith in China

BY JAMES A. DORN

China's transition from plan to market since 1978 has not only increased prosperity but also has led to a new way of thinking. In a 2005 poll covering 20 countries, GlobeScan found that China had the highest proportion of respondents (74 percent) who agree that the "free market economy is the best system on which to base the future of the world." That outcome is remarkable given that only a short time ago Beijing embraced a state-led development model.

The same poll found that U.S. citizens have strong support for the free market (71 percent) while Russia, which has a long anti-capitalist history, still has rather weak support (43 percent favored the market), and France, with its long attachment to socialism, has even less support with only 36 percent saying they favor a free market.

The significant change in the Chinese people's attitude toward economic liberalism is further illustrated in the Chicago Council on Global Affairs' 2006 multination survey of public opinion. Eighty-seven percent of those surveyed in China thought that "globalization, especially the increasing connections of their country's economy with others around the world, is mostly good for their country." That result compares with 60 percent in the United States and 54 percent in India.

It is not surprising that the Chinese people would embrace globalization as it has opened China to the outside world, brought about rapid economic and social change, and helped lift millions out of absolute poverty. In 1978, only 12 large state-owned enterprises (SOEs) had the right to engage in foreign trade. Today virtually any firm is free to enter the import-export business. China has become the world's third largest trading nation and is the leading destination for foreign direct investment. Those regions that have experienced the greatest amount of economic freedom have also grown the most and have the highest living standards. Guangdong, Zhejiang, and Fujian are all heavily "marketized" (SOEs account for only a small fraction of output) and have growth rates far above the national average.

In widening the range of opportunities open to people, globalization has increased personal freedom and put pressure on the Chinese Communist Party (CCP) and National People's Congress to pass a Property Law last March. It recognizes the importance of the private sector and better protects property rights—all with a positive impact on civil society.

People are free to own their own homes, operate their own businesses, and seek work in the private sector. Those and other economic freedoms would have been impossible under central planning and autarky. One can now read a leading business magazine like *Caijing* and see a glossy photo of the Statue of Liberty on the same page as an advertisement for private condominiums in Beijing. F. A. Hayek's *Road to Serfdom* and the Cato Institute's *Toward Liberty* can be found in Beijing bookstores. High-school students in Shanghai can now open their new history textbooks and find much discussion of globalization and economic reform but only a single reference to Mao.

Most surprising, one can travel to the Southwestern University of Finance and Economics in Chengdu and see a life-size statue of Adam Smith, who in 1776 wrote in *The Wealth of Nations*: When "all systems either of

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Made in China: Statue of Adam Smith on the campus of the Southwestern University of Finance and Economics in Chengdu PHOTO: Xiao Jiang

preference or of restraint" are abolished, "the obvious and simple system of natural liberty establishes itself of its own accord."

Spontaneous order, or economic harmony, arises out of voluntary exchange based on what Smith called the "laws of justice." The role of market prices and profits is to coordinate the myriad individual plans in the pursuit of happiness.

Smith's principle of spontaneous order—or freedom under the law—is similar to Lao Tzu's principle of nonintervention (*wu wei*). Long before the *Wealth of Nations* was written, Lao Tzu argued that when the ruler takes "no action . . . the people themselves become prosperous." Today China's President Hu Jintao is promoting the idea of a "harmonious society" and "peaceful development." In doing so, he should embrace the ideas of Lao Tzu and Adam Smith, and realize that limited government and the rule of law are essential for peace and harmony.

The problem is that the CCP has no desire to let go of its monopoly on power. Creating "free private markets," as the late Milton Friedman recommended to General Secretary Zhao Ziyang when they met in 1989, would require widespread private property rights and further undermine the CCP's influence. That is why China's leaders continue to favor market socialism rather than market liberalism.

Nevertheless, the momentum for market liberalization is strong, especially since China joined the World Trade Organization in December 2001. Trade liberalization has been good for China and good for the global economy. Even though millions of Chinese workers have been dislocated, the Chicago Council survey found that 65 percent of those polled in China believe that "international trade is good for the job security of workers." In contrast, only 30 percent of Americans surveyed thought free international trade benefited workers.

Of course, the goal of trade is not to protect jobs but to create wealth—and global wealth is much greater today than it was two or three decades ago. Trade liberalization, the information revolution, and financial integration have combined with pro-market institutional change to make China's future bright. Trade is not a zero-sum game: the richer China becomes, the more prosperous the global economy. Protectionism would destroy the market forces that have helped lift millions out of poverty, embolden hardliners, and politicize economic life. Both economic and personal freedom would suffer.

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One lesson from China's transition from central planning to a market-oriented system is that poverty is best addressed by institutional change rather than foreign aid and government intervention. Several decades ago most of the world's poor were concentrated in Asia, not Africa. The reverse is true today. Foreign aid has not improved the plight of the poor.

Likewise, increasing the minimum wage is not a panacea. Politicians promise a higher wage but do nothing to address the underlying causes of poverty. Rather, if the legal minimum wage is above the prevailing market wage for unskilled workers, employers will cut back on hours, reduce benefits, and switch to labor-saving methods of production.

Hong Kong has no minimum wage yet is prosperous. China has no national minimum wage and lets the market guide local minimum wages so that they do not interfere with economic growth and employment. In Shenzhen, one of the most marketized cities in China, the minimum wage was increased last year to 810 yuan per month (about $105). Many companies already pay more than the minimum, so the higher minimum wage is unlikely to interfere with job opportunities. Indeed, there is a labor shortage, so market wages will be forced up by competition. As one local labor official said, "We are adapting to the market through the pay raise, rather than interfering with the market."

Entrepreneurship Everywhere

The spirit of entrepreneurship is evident everywhere in China. One of the most popular TV game shows is "Win in China," a contest in which the person with the best business plan is awarded venture capital financing of $1.2 million and gets to retain 20 percent of the equity. The first show in 2006 attracted 120,000 entrants. The host of the show, Anna Wang Lifen, launched the program because she sees entrepreneurs as "the heroes of our peaceful times."

Although China has made substantial progress on its march toward the market, much remains to be done. Free markets require widespread private property rights, a transparent and just legal system, and the free flow of information. Moreover, if China is to develop world-class capital markets, Beijing must make the yuan fully convertible and allow capital freedom.

The right to freely buy and sell currencies and assets is an important element of personal freedom. In his "Memorandum to General Secretary Zhao Ziyang," Friedman listed what he considered the fundamental lessons from studying the process of development. The first lesson, which he thought applied to China as well as India, is that the government should "end exchange control, establish a free market in foreign exchange, and permit the exchange rate to be determined by the market." Without such reforms, he thought, corruption would continue. Although Hong Kong does not have a freely floating exchange rate (it has a currency board that fixes the Hong Kong dollar to the U.S. dollar), there are no capital or exchange controls. The high degree of capital freedom has enabled Hong Kong to become a leading financial center.

China is moving gradually toward a more flexible exchange-rate regime and slowly relaxing capital controls. That process will take time, but it appears China's leaders support the long-term goal of a fully convertible currency. Ending capital and exchange controls would give the Chinese people greater investment options and increase efficiency. But, again, such reforms would threaten the CCP's power.

Opening the CCP to capitalists is not sufficient. The Party's monopoly on power has to be contested at some point. Nor is it sufficient to amend the PRC Constitution to better protect private property when there is no independent judiciary to enforce contracts. If China's future is to rest with the free market, there must be political as well as economic liberalization. Ultimately a free market cannot exist without a free people. The real challenge for Beijing will be to institute a rule of law that protects persons and property against the state. The people's preferences will then rule rather than the Party's. China's leaders would do well to follow the path of Lao Tzu and Adam Smith by adhering to Hong Kong's model of "Big Market, Small Government."

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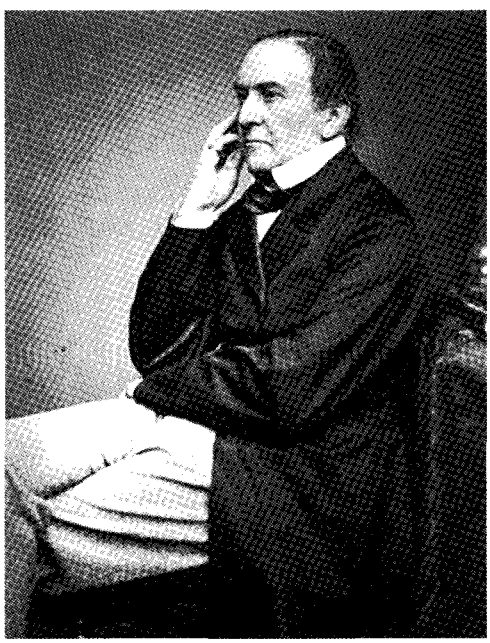
The Love of Power vs. the Power of Love

BY LAWRENCE W. REED

"We look forward to the time when the power of love will replace the love of power. Then will our world know the blessings of peace."

So declared British Prime Minister William Ewart Gladstone more than a century ago. His audience surely responded then the same way audiences would today—with universal, nodding approval. But the world, perhaps more so now than when Gladstone spoke, seethes with hypocrisy. Though we say we prefer love over power, the way we behave in the political corner of our lives testifies all too often to the contrary.



William Ewart Gladstone

Gladstone was eminently qualified to say what he did, and he sincerely meant it. He was a devout man of faith and character, lauded widely for impeccable integrity in his more than six decades of public life. Four times prime minister, he still ranks as one of the few politicians who really did "grow" in office. He came to Parliament in the early 1830s as an ardent protectionist, opponent of reform, and defender of the statist status quo. As he watched government operate from its highest levels, he evolved into a passionate defender of liberty. When he died in 1898 his admirers were proud of a Britain strengthened by his legacy of cutting taxes, bureaucracy, and intrusive regulation. The Irish loved him because he fought hard to restrain London's heavy hand over Irish life. Biographer Philip Magnus believed that he "achieved unparalleled success in his policy of setting the individual free from a multitude of obsolete restrictions."

Gladstone knew that love and power are two different things, often at odds with each other. Love is about affection and respect, power about control. Someone who pursues power over others for his own personal advancement is rightly deserving of opprobrium. Gladstone's friend Lord Acton warned about how absolutely corrupting this can be. If love is a factor in such instances, it's more likely love of oneself than love of others.

When real love is the motivator, people deal with each other peacefully. We use force only in self-defense. We respect each other's rights and differences. Tolerance and cooperation govern our interactions.

Suppose we want to influence or change the behavior of another adult, or want to give him something we think he should have. This person has done us no harm and is in full command of his faculties. Love requires that we reason with him, entice him with an attractive offer, or otherwise engage him on a totally voluntary basis. He is free to accept or reject our overtures. If we don't get our way, we don't hire somebody to use force against him. "Live and let live," as Americans used to say with more frequency than they do today.

When we *initiate* force (that is to say, when self-defense is not an issue), it's usually because we want something without having to ask the owner's permission for it. The nineteenth-century American social commentator William Graham Sumner lamented the preva-

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lence of the less-noble motivators when he wrote, "All history is only one long story to this effect: Men have struggled for power over their fellow men in order that they might win the joys of earth at the expense of others, and might shift the burdens of life from their own shoulders upon those of others."

Adults necessarily exert great power over infants, whose very existence requires nearly constant attention tempered by a strong and instinctive affection. By adolescence, the adult role is reduced to general supervision as the child makes more of his own choices and decisions. The child eventually becomes an adult empowered to live his life as he chooses and bear all the attendant risks and responsibilities.

In normal, healthy families during this nearly 20-year maturing process, a parent's power over a child recedes but his love only grows. Indeed, most people understand that the more you love a child, the more you will desire him to be independent, self-reliant, and in charge of himself. It's not a sign of love to treat another adult as if he were still an infant under your control.

A mature, responsible adult neither seeks undue power over other adults nor wishes to see others subjected to anyone's controlling schemes and fantasies: This is the traditional meaning of liberty. It's the rationale for limiting the force of government in our lives. In a free society the power of love, not the love of power, governs our behavior.

Consider what we do in our political lives these days—and an unfortunate erosion of freedom becomes painfully evident. It's a commentary on the ascendancy of the love of power over the power of love. We have granted command of over 40 percent of our incomes to federal, state, and local governments, compared to 6 or 7 percent a century ago. And more than a few Americans seem to think that 40 percent still isn't enough.

We don't trust the choices parents might make in a free educational marketplace, so we force those who prefer private options to pay twice—once in tuition for the alternatives they choose and then again in taxes for a system they seek to escape.

Millions of Americans think government should impose an endless array of programs and expenses on their fellow citizens, from nationalized health insurance to child daycare to subsidized art and recreation. We've already burdened our children and grandchildren, whom we claim to love, with trillions in national debt—all so that the leaders we elected and reelected could spend more than we were willing to pay.

We claim to love our fellow citizens while we hand government ever more power over their lives, hopes, and pocketbooks. We've erected what Margaret Thatcher derisively termed the "nanny state," in which we as adults are pushed around, dictated to, hemmed in, and smothered with good intentions as if we're still children.

Resolutions for Liberty

If you think that these trends can go on indefinitely, or that power is the answer to our problems, or that loving others means diminishing their liberties, you're part of the problem. If you want to be part of the solution, then consider adopting the following resolutions for this year and beyond:

- I resolve to keep my hands in my own pockets, to leave others alone unless they threaten me harm, to take responsibility for my own actions and decisions, and to impose no burdens on others that stem from my own poor judgments.
- I resolve to strengthen my own character so I can be the model of integrity that friends, family, and acquaintances will want to respect and emulate.
- If I have a "good idea," I resolve to elicit support for it through peaceful persuasion not force. I will not ask politicians to foist it on others just because I might think it's good for them. I will work to free my fellow citizens by trusting them with more control over their own lives.
- I resolve to offer help to others who genuinely need it by involving myself directly or by supporting those who are providing assistance through charitable institutions. I will not complain about a problem and then insist that government fix it at twice the cost and at half the effectiveness.
- I resolve to learn more about the principles of love and liberty so that I can convincingly defend them against the encroachments of power. I resolve to make certain that how I behave and how I vote will be consistent with what I say. And I resolve to do whatever I can to replace the love of power with the power of love.

A tall order, to be sure. Let's get started.

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The Shortcomings of Government Charity

BY JUDE BLANCHETTE

In their book, *Myths of Rich and Poor*, W. Michael Cox and Richard Alm observe, "Some part of human nature connects with the apocalyptic. Time and again, the pessimists among us have envisioned the world going straight to hell." To be sure, "pessimists" apparently run most national newspapers. Headline after headline screams about the brutality, avarice, death, and inequality that infest our world. Be it violence in the Middle East, droughts in Africa, drug wars in South America, or airplane crashes across the globe, there seems to be little to celebrate in our modern world.

Because it lacked the typical journalistic flair for the dour, a story appearing on the website of the *Examiner* last December 18 might have been passed over by most casual readers. "Charitable giving in '06 predicted to outpace '05 record," was the headline. It reported that "total donations in 2005 hit a high of $260 billion and 2006 should top that." For those who noticed the article, it provided a perhaps brief pause in the bad news, but little more. To more-interested parties, however, it was a simple reminder of the longstanding crusade by America's private charities and individual philanthropists to mitigate one of the world's oldest social ills: chronic poverty.

For large charities such as the Salvation Army and smaller local charities run by churches and other private organizations, the fight against poverty has been going on for the past 150 years. Tragically, standing in their way has been the federal government. Besides an effort to wage "war" on poverty beginning in the 1960s, the federal government has attempted to intercede and dole out aid since the beginning of Franklin Roosevelt's New Deal. These interventions have proven costly and yielded disastrous results. By continually siphoning funds away from the private sector, lawmakers and bureaucrats further diminish the ability of civil society to deal with the problem of poverty. (As Charles Murray shows in *Losing Ground*, poverty was declining steadily through the 1950s and 1960s up until the Great Society programs kicked in during the early 1970s.)

If the plight of the poor is to be truly addressed, Americans should study the lessons of the past. Earlier in the twentieth century, private charities offered a more effective cure for chronic indigence, and it was through mutually beneficial activities and voluntary funding that the spirit of American compassion was unleashed. In the best interests of the poor, the government should withdraw itself completely from all activities designed to help them and allow civil society its full range of motion.

Unfortunately, most social commentators see increased state action as the best (indeed, the only) way to fight poverty. With apologies to Ian McEwan, the welfare state has become "the repository of collective fantasy." Private charities, they often argue, financed by volunteers and private donations, cannot meet the immense burden of welfare provision. Advocates of public assistance see "private enterprise" as an economic system that functions on Hobbesian self-interest and that would leave the poor to suffer if profit could not be squeezed from their labor.

Many proponents of laissez faire recognize these common protestations, but are unable to provide cogent rebuttal. On the surface it would seem that only government, with its vast infrastructure and immense financial resources, can improve the plight of the poor.

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Private charities, subject to the vagaries of voluntary donations, are a far less reliable source of income.

Yet if this were the case, how is it that after more than 40 years since the Great Society and more than $8 trillion spent (in 2000 dollars) so little headway has been made by the government in alleviating poverty?

This is not to say that poverty has not diminished in America. Indeed, the market economy has virtually eliminated extreme poverty in the United States. The average poor American lives a lifestyle that would be envied by most of the world's citizens. But this is a product of the market economy not government handouts. It is only through wealth creation, not wealth distribution, that we see the wellspring of human progress.

Most Americans today were born after the New Deal and therefore have no memory of American social policy before the 1930s. Those then alive will recall that before the policies implemented by Roosevelt, there effectively were no social-welfare programs provided by the federal government. State and local government programs in place during that time, such as soup kitchens and state-run orphanages, were meager affairs in comparison to the welfare programs of today. The question must then be asked: If the government wasn't helping the poor, who was?

To put it simply, neighbors and religious communities helped the less fortunate, and members of different races, ethnicities, and occupations expressed solidarity to improve their financial independence.

To put it simply, neighbors and religious communities helped the less fortunate, and members of different races, ethnicities, and occupations expressed solidarity to improve their financial independence. In effect, it was private voluntary cooperation that came to the aid of the poor. In the absence of government assistance, the social net cast by private charities, organizations, and businesses reached farther and remained much stronger than federal welfare programs.

According to *Merriam-Webster's Collegiate Dictionary*, poverty is "a lack of money or material possessions," and on the surface money would seem to be the obvious remedy. But if reducing poverty were simply a matter of transferring funds from rich to poor, then the "War on Poverty" should have been won years ago. In *Losing Ground*, Murray chronicles the failures of federal social policies from 1950–1980, concluding, "The first effect [of government policy] . . . was to make it profitable for the poor to behave in the short term in ways that were destructive in the long term. Their second effect was to mask these long-term losses—to subsidize irretrievable mistakes. We tried to remove the barriers to escape poverty, and inadvertently built a trap." The "trap" was built through the largess of the federal government, which exacerbated the dependency of the poor on handouts, and supported decisions that furthered damaging behavior.

Observing the English Poor Laws in 1835, Alexis de Tocqueville wrote in *Memoirs on Pauperism*: "Man, like all socially-organized beings, has a natural passion for idleness. There are, however, two incentives to work: the need to live and the desire to improve conditions of life." In effect, the government destroys both of these incentives. By receiving food, shelter, and most other necessities, welfare recipients aren't faced with the need to provide for themselves. Likewise, by supporting all lifestyle decisions, both good and bad, government insulates the poor from having to face the consequences of unfavorable choices. Tocqueville was prescient in his critique of government welfare, forecasting, "I have said that the inevitable result of public charity was to perpetuate idleness among the majority of the poor and to provide for their leisure at the expense of those who work." By traditionally allocating the bulk of its resources as cash payments, the government increased dependency and neglected to address the causes of perpetual poverty.

Welfare Reform

The idea of entitlement has been rectified to some extent by the federal government's 1996 welfare reform. Officially named the Personal Responsibility

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and Work Opportunity Reconciliation Act of 1996 (PRWORA), it has succeeded in decreasing the federal welfare caseload. Individuals are no longer "entitled" to receive aid now that states must choose among its population who is to receive cash payments. According to a Department of Health and Human Services (HHS) news release in 2002, "Between PRWORA's enactment in August 1996 and December 2001, the welfare caseload fell nearly 57 percent from 12.2 million recipients to fewer than 5.3 million. This is the largest welfare caseload decline in history and the lowest percentage of the population on welfare since 1965."

Yet in many ways PRWORA has failed. HHS can claim success since its enactment because of statistical chicanery. Fewer and fewer individuals are now eligible for cash assistance, and since only those receiving monthly payments are counted on the welfare roles, the program is deemed a success. Yet as Michael Tanner of the Cato Institute concludes, "[W]elfare reform has done little to make individuals self-sufficient. Even after leaving welfare, most former recipients continue to rely on a wide variety of noncash government assistance programs." At the same time that cash assistance has decreased, noncash handouts have increased markedly. According to the *New York Times* (2003), "[F]ederal and state welfare money spent on cash assistance declined 44 percent in 2002, from 77 percent in 1997. The proportion allocated to various types of noncash assistance shot up to 56 percent, from 23 percent in 1997."

And the Associated Press reported in February,

> The welfare state is bigger than ever despite a decade of policies designed to wean poor people from public aid.
>
> The number of families receiving cash benefits from welfare has plummeted since the government imposed time limits on the payments a decade ago. But other programs for the poor—including Medicaid, food stamps and disability benefits—are bursting with new enrollees.
>
> The result, according to an Associated Press analysis, is that nearly one in six persons rely [sic] on some form of public assistance, a larger share than at any time since the government started measuring two decades ago.

How, Not *How Much*

The primary reason private charity is more effective and more humane in providing for the poor lies in *how* aid is given, not simply *how much* is given. If administered indiscriminately, any type of aid renders the recipient in a worse predicament than before, for now he is dependent on the handouts of others. As Isabel Paterson wrote in *The God of the Machine*: "[T]ake the case of a truly needy man, who is not incapacitated, and suppose that the philanthropist gives him food and clothes and shelter—when he has used them, he is just where he was before, except that he may have acquired the habit of dependence." Economist and *Freeman* columnist Walter E. Williams comes to a similar conclusion in *More Liberty Means Less Government*, labeling indiscriminate aid "animal compassion." Writes Williams: "Compassion towards animals includes making sure the animal has adequate food and water, medical attention and when needed, suitable shelter, and a toy or two for entertainment. . . . Animal compassion bears none of the hardships and complexities of human compassion. You don't have to instill lessons of independence. In fact, independence is a negative."

Like any other government monopoly, public charity is insulated from competition and financial loss, and thus inefficient spending is inevitable

Like any other government monopoly (public schools, the post office), public charity is insulated from competition and financial loss, and thus inefficient spending is inevitable. Indeed, bureaucrats have an incentive to recruit recipients in order to justify bigger budgets. With the need to control costs diminished, aid can be handed out regardless of conditions or situations facing potential recipients. By way of comparison, private charities, churches, and mutual-aid societies are faced with economic realities and must attempt to

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decide who truly merits aid, as well as how to best bring about the recipient's economic independence. An admittedly subjective process, this helps to eliminate freeloaders, thus allowing more resources to be directed to the deserving poor. As law professor Richard A. Epstein writes in *Principles for a Free Society*: "Since charitable budgets were—as they are today—limited, if not fixed, a primary concern was how to maximize the benefits over all the indigent: that is, how to prevent scarce resources from being drained off by those who were not really needy or who had, in fact, resources of their own; and then to channel those resources to those who were most in need."

Only private institutions, however, can turn down aid applicants using self-imposed criteria. Conversely, government programs often operate under the belief that humans have a "right" to aid. Marvin Olasky, author of *The Tragedy of American Compassion*, believes that this entitlement is the problem. He writes: "The War on Poverty of the 1960s was a disaster not so much because of its new programs but because of their emphasis on entitlement rather than need. Opportunities to give aid with discretion disappeared as welfare hearings became legal circuses and depersonalization triumphed. *Freedom* came to mean governmental support rather than the opportunity to work and move up the employment ladder." Over 150 years ago, Tocqueville reached the same conclusion:

> I am deeply convinced that any permanent, regular administrative system whose aim will be to provide for the needs of the poor will breed more miseries than it can cure, will deprave the population that it wants to help and comfort, will in time reduce the rich to being no more than tenant-farmers of the poor, will dry up the sources of savings, . . . and the indigent, no longer being able to take from the impoverished rich the means for providing for his needs, will find it easier to plunder them of all their property at one stroke than to ask for their help.

Only private institutions, however, can turn down aid applicants using self-imposed criteria.

Values Stressed

In stark contrast to the "cookie-cutter" approach of government, private charities such as that maintained by the Mormon church stress personal responsibility, spiritualism, and good character as the most effective combatants of indigence. In its 1936 "Church Welfare Plan," the Mormon church formulated the guidelines that underpinned their policy on charity. The plan was "a system under which the curse of idleness would be done away with, the evils of a dole abolished, and the independence, industry, thrift and self-respect be once more established amongst our people. The aim of the Church is to help the people to help themselves."

Likewise, Olasky points out, during the end of the nineteenth and the beginning of the twentieth centuries, a multiplicity of Jewish- and Christian-run charitable activities arose in America's major cities as populations began to urbanize and poverty became more visible. Organizations such as the United Hebrew Charities, the Society of St. Vincent de Paul, and the Olivet Helping Hand Society stressed the importance of self-help, family ties, and living a prudent lifestyle if the individual wanted to regain self-reliance. They believed that aid given without nourishment of a man's character would accomplish little except to demean him. As the founder of New York City's Charity Organization Society, Josephine Shaw Lowell, wrote (quoted by Olasky), "Nothing should be done under the guise of charity, which tends to break down the character. It is the greatest wrong that can be done to him to undermine the character of a poor man."

Perhaps the most extraordinary example of self-help and social cooperation during the late nineteenth and early twentieth centuries was the mutual-aid movement characterized by fraternal, or friendly, societies. As historian David Beito has shown, until the onset of the Great Depression and the resulting increase in government assistance, fraternal societies played a vital role in the welfare of the poor. It is estimated that by 1910, over one-third of the American adult male population were members of or had some affiliation with a fraternal society. The primary role of fraternal societies was to

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provide sickness and death benefits, which served as forms of health and life insurance. The function of the fraternal system is best characterized by a spokesman for one such fraternal society, who wrote (quoted by Beito): "[A] few dollars given here, a small sum there to help a stricken member back on his feet or to keep his protection in force during a crisis in his financial affairs; a sick Neighbor's wheat harvested, his grain hauled to market, his winter's fuel cut or a home built to replace one destroyed by a midnight fire—thus has fraternity been at work among a million members in 14,000 camps."

Through a system of local lodges where charitable and social events were held, fraternal societies represented a plethora of races, religions, ethnicities, and occupations, according to Joseph P. Blanchette, my father, in *The View from Shanty Pond*. The Ladies of the Maccabees, for example, was a white, all-female society that provided health benefits, Beito writes. The Independent Order of Saint Luke was a black fraternal society that, in addition to providing for the sick and the survivors of its members, founded the Saint Luke Penny Savings Bank of Richmond, Va. Tired of the racist attitudes exhibited by some white merchants, the order went on to found the Saint Luke Emporium, which provided an opportunity for blacks to spend their paychecks in a black-owned store.

Through a system of local lodges where charitable and social events were held, fraternal societies represented a plethora of races, religions, ethnicities, and occupations.

In addition to the financial services provided by fraternal societies, the individual lodges made it possible for immigrants to socialize and participate in activities together. When a member was sick or near death, his "brothers" or "sisters" felt a social obligation to help the victim's family by either providing medical care or paying for burial. Blanchette quotes the motto of the Irish Benevolent Society, "We visit our sick, and bury our dead." When members needed to borrow money during rough times, they were obliged to regain financial stability as quickly as possible. Much of the fraternal society's appeal was due to its being one of the few avenues through which immigrants and the poor could assure themselves some financial stability. Not surprisingly, the demise of the fraternal society as a primary provider of mutual aid corresponded to the rise of the New Deal era of federal welfare policies.

If this voluntary social safety net was so wide and so pervasive, why did government step in? Ludwig von Mises's analysis of interventionism accurately describes the rise of the welfare state: programs that were originally instituted to fill the "gaps" in the private safety net eventually exacerbated the problem at hand. This in turn produced a call for more intervention to fix the new problem. The latest round of intervention created its own unintended consequences, thus creating yet another demand for a "solution." And on and on. Roosevelt's New Deal and Lyndon Johnson's Great Society propelled the welfare state to even greater heights (or depths, depending on how you view the issue).

History shows that it is only through private voluntary solutions that we see *true* human compassion. Organizations and individuals, in the spirit of compassion, provided poverty relief that embraced generosity, but recognized the dire consequences of haphazardly given aid. Most social workers of a century ago understood that good character, self-reliance, and strong social ties were virtues that must be instilled in the poor if there were to be any gains made in alleviating poverty. Before the Depression private solutions played an important moral and material role for the poor. Whereas government relies on coercion, charities and fraternal societies embody the qualities that make volunteerism socially advantageous.

Conversely, the past 70 years have shown that government has not prudently handled, and cannot prudently handle, the plight of the poor. Rather than help those in need of assistance during times of trouble, the federal government has imprisoned them in a political power game, resulting in increased dependence. Only abolition of the government dole will allow the private sector to once again achieve the levels of social welfare seen in the past.

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Intrusions Great and Small

BY RIDGWAY K. FOLEY, JR.

Individuals must always choose between alternatives. Indeed, man cannot avoid this ineluctable natural rule: a refusal to choose constitutes a choice. Whether a blessing or a curse, this fundamental law of human action helps differentiate mankind from all other species.

Believers in a truly free society fully recognize and deeply value the right and the power of human choice. We believe that the individual makes better choices in most instances than an outsider and, even when his decision seems overtly poor, the chooser may learn from the consequences; in any event he deserves this untrammeled right as a component of his elemental dignity and very being. We also believe that each of us ought to bear the burden as well as the good fortune of our selections and not shunt our disappointments and unanticipated results onto the shoulders of another person or aggregate. Hence, for us choosing becomes a moral act with moral consequences.

Unfortunately, mankind never has encountered and experienced a truly and completely free society. Today, as in all times past, intrusions invade the human selection process whereby one or more outside individuals choose for the actor by compelling him to select as they decree or suffer the unpleasant consequences they impose. Leonard Read aptly called these intruders "dictocrats," elitist little dictators who employ force, fraud, or threats to order the lives of perfectly able human beings as the dictator thinks best.

Intrusions abound today. They assail us from all sides and in all aspects of our daily life. Some are monumental, others minor. Intrusions great and small pervade our lives to such an extent that we often fail to notice them, let alone assign them the odious consequences they cause. When we overlook these evils and their untoward results we cede a part of our essential human nature, our individualism, without a whimper. Consider some seemingly minor, often unseen, examples and the greater evil they breed.

Few observers—even those obsessed with genealogy as a hobby—know that nations often limit the first, or Christian, names given a child. Portugal forbids naming a child Lolita or Maradona, Guevara or Marx. Norway recently replaced its name list with a general standard that forbids naming a child with a swear word or with a word the naming police consider negative. Denmark expanded its approved list last April, while Sweden, Spain, and Argentina maintain, but are considering ameliorating, their naming laws.

Try to imagine something more inherently personal than an individual's name. Names not only identify us but also form a basis for our control and disposition of the property we create and enhance. Our names enable conversation and correspondence with specificity, alacrity, and clarity, but they do more: they become one with us and comprise a segment of our very being. They mark us as individuals, discrete and unique creatures possessed of dignity and worth by virtue of our very being.

Why should a state or society constrain individual names? Sociologists and psychologists apparently posit that different or difficult names handicap a human being and detract from his or her attractiveness, acceptance, and ability. One wonders if any scientific study purports to support this lamebrain thesis and, if so, what were the general methodology used and the parameters of inclu-

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sion and exclusion employed. Of course, if one dislikes his given name, he can officially change it inexpensively under most legal systems. More saliently, before the time of the constables of political correctness, common nicknames supplanted the more cumbersome or unusual formal appellations. One supposes that "Pudge" or "Baldy" are out of the question today, although Ivan Rodriguez has received many honors for his baseball skills and market adherents remember Floyd A. Harper with fondness and appreciation.

Perhaps some think name limitation amounts to a small intrusion. I differ. Discard the supporting sociological pap and ignore the seemingly minimal intrusion. I see something more insidious and downright dangerous: name limitation squares perfectly with an always-increasing de-individualization of Western society. As we trudge ever deeper into Jean Jacques Rousseau's swamp of enforced orthodoxy, the mandate state cannot indulge individualism in any form. Instead, it requires and compels fungible little soldiers-voters-workers regimented not to think or act critically but, rather, to do as they are told by their controllers. Limiting Christian names to an approved few enhances the statist hegemony over all individuals under its sway: it would not do to differentiate one Boris or José from another person bearing the same moniker, and if the individual is truly of no separate inherent worth it is only seemly to stamp an approved common name on each assembly-line human item.

Historical fact and rational insight converge to demonstrate that such small intrusions spawn and justify more invasive assaults on the person. For example, the governor of Texas recently tried to decree that all female children within a specified age range must receive a new vaccine theoretically protecting the recipient from certain sexually transmitted diseases. Thankfully, the state legislature stopped him. Apparently, dissenting children would have had this foreign substance injected in them whether they liked it or not, whether they engaged in sexual activity or not, whether their moral or religious precepts were violated or not, without any concern for the likelihood that a given number of the victims would have suffered adverse allergic reactions from the medication leading to transitory or permanent injury or, in some instances, a fatal seizure.

One supposes that dissenting parents would have been imprisoned since the all-knowing state acts *in loco parentis* (in the place of the parents); after all, individual freedom must succumb to any limits prescribed by a state that enforces compulsory attendance in government institutions of indoctrination and harasses outliers who attempt to afford alternative learning for their offspring.

No Betting on Elections

Another nominal intrusion demonstrates the humor and inherent inanity of the modern mandate state, as well as the open door to the voracious world of victimless crime. Arizona prohibits men and women from wagering on the outcome of an election. Successful selective prosecution carries with it four months in the county lockup and a $750 fine. Two men from the tiny town of Camp Verde engaged in a friendly wager and, hoping to improve voter participation, paid for newspaper advertising announcing their bet. Seeking to sanitize and sanctify participatory democracy, the county attorney filed criminal charges. The trial judge dismissed the case, holding the law to be "patently unconstitutional," but the Arizona Court of Appeals reversed, saying that the state has the power "to maintain the integrity of the electoral process." Ultimately the prosecutor dismissed the charges, but the law remains.

Let me get this straight. Arizona creates and maintains a complex and lucrative lottery. Lotto games are gambling games. Arizona engages in abundant and repetitive publicity to induce folks to participate in its gambling game, a game that, like most other gambling enterprises, has odds stacked heavily in favor of the house. In this case, the state of Arizona plays the role of the house, collecting and consuming substantial profits. In addition, like many other states, Arizona is home to a plethora of gambling casinos owned and operated by Indian tribes, the state protecting their existence and presumably receiving benefits from these operations. Further, as in every other state, games of chance operate openly there and wagering on sporting events is rampant. I suspect that office pools and fantasy leagues thrive in the statehouse, in county and city offices, perhaps even in offices manned by county prosecutors and their minions. Despite all this, two harmless and well-inten-

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tioned chaps in rural Arizona had to spend $30,000 in legal fees and expenses to avoid incarceration because they bet $100 on a council race.

Gambling falls into the category of "victimless crimes." In law school we learned the distinction between acts that were *mala in se* (bad because most of the world recognizes them as inherently evil) and those that are merely *mala prohibita* (bad because a state says so). The state punishes perpetrators of victimless crimes because the dictocrats intrude into private lives for no good reason. Simultaneously, the state procreates new and varied victimless crimes more quickly than randy rabbits produce offspring. Consensual prostitution, personal drug use, and attempted suicide represent three common, customary varieties of victimless crimes, as did Sunday sales in violation of the "Blue Laws" of another age and violations of the liquor regulations still existent. Modern tyrants, petty and gargantuan, concoct more serious and intrusive phony crimes, such as recently established financial felonies limiting the amount of money one may carry while traveling on public transportation or may deposit in a bank or brokerage account without disclosure of private information and justification satisfactory to the meddling dictocrats.

Two harmless and well-intentioned chaps in rural Arizona had to spend $30,000 in legal fees and expenses to avoid incarceration because they bet $100 on a council race.

Most needlessly intrusive laws rest on sappy ideas, such as the pseudo-sociological notion that different or difficult names cause harm to children. Only the terminally addlepated or the congenitally oblivious would conjoin "integrity" with "electoral process" in any coherent paragraph, let alone employ such a linked phrase as a juridical foundation for depriving a human being of his liberty or property. Elections merely permit voters to choose which band of bandits will rape and pillage them in the coming term. Office-seekers spend millions of dollars on silly little races. Pressure groups and powerful elitists pay handsomely to choose judges and legislators in the sure and certain knowledge that, once elected, the recipient of their largess will not forget his friendly supporters.

Of course, most successful candidates in any election prevail by promising to use "legally" stolen property to help some individuals or groups at the expense of others; if that is not tantamount to buying a vote, we should return to our early American practice and permit candidates to treat us sheep to a good stiff drink as we waltz to the polls. In the context of reality, a bet on the outcome of a minor race could never adversely affect the electoral process and, if it did, so what?

The objective observer asks why intrusions great and small pockmark our lives. Insight and experience reveal several reasons. First, as Agatha Christie repeatedly commented, this world contains some very evil people. Truly wicked folks put barriers in place to better themselves at the expense of others, as well as for the sociopathic thrill of command and dominance. Second, some intrusions arise from born or bred elitists, persons who believe that they possess the God-given right and duty to direct us peons else we lose our way. This superiority mindset resembles the feudal attitude in many ways, and unfortunately a number of our present rules resemble analogical intrusions in the England of the Middle Ages; for example, note the uncanny resemblance of the modern bar association to the medieval guild. However, one should not overlook a pervasive third category, the myriad intrusions that come about because some well-meaning individual or cabal makes two erroneous decisions: first, that a problem exists; and second, that they know best how to solve this presupposed problem and therefore they should implement the solution.

Fifty years ago my father described "The Age of the Busybody" to members of a regional business organization beset by the dictates both trivial and significant of small-minded elitists. Busybodies, he observed, are people who "mean well," but they cause more damage to individual freedom by far than do the wicked and the elite. The courteous person in the mid-twentieth century offered the commonplace excuse, "Oh, but she means well." As a long-gone friend would retort, "She *does* mean well. God save me from people who *mean well*!" Indeed.

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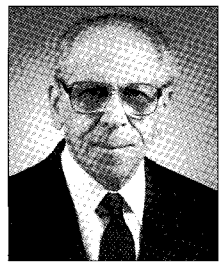
Therapeutic Censorship



BY THOMAS SZASZ

Freedom of speech is one of the most distinctly American political values. In many European democracies people take for granted that *their* freedom requires criminal sanctions against the expression of certain odious ideas, exemplified by the denial of the Holocaust. In the United States, that would be a clear violation of the First Amendment.

To be sure, there are limits to our freedom of expression, most famously the prohibition against speech or publication that creates "a clear and present danger such as Congress has a right to prevent." Except for this criterion, plus the limits placed on the dissemination of "obscene or pornographic speech and publication" and commercial speech, the First Amendment seemingly carves out a large arena in which we may freely express and hear the human voice.

I say seemingly because we in the United States take for granted the government's right, indeed its duty, to prohibit persons from expressing opinions deemed to be the products of "mental illness." An American has the right to deny the Holocaust but not the right to deny his identity and declare he is Jesus. The person who does that is diagnosed as having schizophrenia, being "dangerous to himself and others," and incarcerated in a "hospital." This type of deprivation of liberty is not considered a violation of the First Amendment because psychiatric commitment is defined as a civil, not criminal, procedure, its ostensible purpose being therapy not punishment.

This is familiar territory. Much less familiar is an episode in which organized psychiatry was responsible for a different kind of limitation of free speech, one I call "therapeutic censorship."

The *Titicut Follies*

In the 1960s, documentary filmmaker Frederick Wiseman received permission to film for 29 days inside the Bridgewater State Hospital, a Massachusetts institution for the criminally insane. The movie he made there—his first documentary—was shown to great acclaim at the New York Film Festival in 1967. The Massachusetts attorney general proceeded to bar public screenings, and the state's Supreme Court ruled that the movie constituted an invasion of the privacy of the Bridgewater guards and patients. The film was banned. Today *The Titicut Follies*, if remembered at all, is dismissed as presenting the kinds of inhumane psychiatric conditions that, thanks to drugs and deinstitutionalization, we have put behind us.

The Titicut Follies is and was intended to be an exposé, the cinematic equivalent of investigative journalism. The claim that it violated the privacy of the guards is as absurd as would be the claim that a newspaper story exposing the unsavory behavior of a politician is an invasion of his privacy.

In May 1987 *The Titicut Follies* was the subject of a forum at the University of Massachusetts. At the time, the reviewer for the *New York Times* reported: "It was a rare screening of the film that, under court guidelines, can be shown only to professionals in the legal, human services, mental health and related fields. . . . A documentary film . . . made 20 years ago and promptly banned, has proved that its power to provoke debate has not diminished. . . . [It] is the only American film ever censored for reasons other than obscenity or national security."

The title of the documentary comes from an annual variety show given by inmates and guards. After the 1987 showing, Wiseman said in an interview: "If the First Amendment of the Constitution protects anything, it's a journalist's right to report on conditions in a prison." Nevertheless, the U.S. Supreme Court has twice refused to hear Wiseman's appeal. According to

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the *Times*, "Blaire Perry, a lawyer for Mr. Wiseman who was on the panel, said, 'In 20 years, not one patient or his family has ever objected to the showing of the film.'"

Today, the "hospital" is in a modern building. "By all accounts," the *Times* reporter assured us, "the staff is better trained and there are more legal safeguards protecting the patients, *many of whom have never been convicted of a crime*. But the hospital is still surrounded by barbed wire, staffed by 220 prison guards. . . . There are 25 nurses and 49 psychiatrists, psychologists and social workers for 436 patients, according to Mary McGeown, a spokeswoman for the Corrections Department. Bridgewater is still overcrowded, understaffed and underfinanced."

What is the staff better trained *for*? No matter how many psychiatrists, psychologists, nurses, and social workers are in such a "hospital," they are all jailers.

On April 6, 1993—26 years after it was banned—*The Titicut Follies* was shown on the Public Broadcasting System and reviewed by film critic Walter Goodman in the *New York Times*:

> Frederick Wiseman's remarkable first documentary, an unsparing visit to the Bridgewater State Hospital for the Criminally Insane, in Massachusetts, was banned. . . . As in all his reports, Mr. Wiseman abjures narration. The pictures tell his stories, and he has never presented more powerful pictures. The 90-minute film opens and ends with a chorus line from what was evidently an annual show called "The Titicut Follies." You'll have to guess who among these costumed performers are inmates, who are guards. . . . One man outtalks the doctors with a fervent yet coherent plea to be sent back to an ordinary prison. . . . Many of the encounters have an unsettling ambiguity. A psychiatrist . . . questions an inmate about his sexual proclivities: "What are you interested in, big breasts or small breasts?" Is he working or just curious? The hardest scene to watch is of a forced feeding. The doctor smokes a cigarette as he inserts a long rubber tube into the patient's nostril and pours a liquid into a funnel; you want to call out to him to flick the lengthening ash onto the floor before it drops into the funnel.

This unique violation of the First Amendment has escaped both legal and psychiatric attention.

Dehumanization of Mad Persons

The Titicut Follies, unlike *One Flew Over the Cuckoo's Nest*, was a unique film. It depicted in gripping pictorial detail the psychiatric invalidation, persecution, and dehumanization of so-called mad persons at the hands of so-called mental-health professionals. For that offense, the American psychiatric establishment, assisted by the American legal establishment, banned the showing of the film. This unique violation of the First Amendment has escaped both legal and psychiatric attention.

Today the Bridgewater State Hospital is a "health care facility" affiliated with the University of Massachusetts Medical School. In 2003 the National Commission on Correctional Health Care lauded it as its "Facility of the Year." A 2003 essay by Jaime Shimkus, publications editor of the organization, presents a brief history of the hospital, but does not mention *The Titicut Follies* or the conditions described in the film.

In the old days of insane asylums, the truth about psychiatry was apparent: the madhouse was a snake pit, and snake pits were limited to insane asylums. Today's snake pits—dispersed throughout society—are concealed by a façade of pseudomedical diagnoses, therapies, treatment-advocacy centers, alliances for the mentally ill, and the renaming of insane asylums as "health care facilities."

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"Deliberative Democracy" Dementia

BY JAMES BOVARD

A specter is haunting America's politicians and professors—the specter of illegitimacy. The political-intellectual elite fear that millions of Americans will conclude that the current democracy is a fraud—that they are being given bogus choices at the ballot box—and that the phrase "will of the people" now means as little as "the check is in the mail."

In the era of the Founding Fathers, government was fairly simple and straightforward. But in the last 70 years government has become far more complex, powerful, and seemingly impossible to leash. Rather than a republic, we have a Leviathan Democracy. The U.S. government still has the formal trappings of the old republic—candidates, elections, congressional proceedings, judges draped in long black robes. But hollow forms offer little solace to citizens caught in bureaucratic crosshairs.

And, unfortunately, most citizens know little about the system that domineers their lives. Most Americans do not know the name of their congressman, the length of terms of House or Senate members, or what the Bill of Rights purportedly guarantees. A survey after the 2002 congressional election revealed that less than a third of Americans knew "that the Republicans controlled the House of Representatives prior to the election." Almost two-thirds of Americans cannot name a single Supreme Court justice. Almost 60 percent of Americans cannot name a single cabinet department in the federal government.

Since voters routinely do not know what their rulers are doing, those rulers cannot claim they are following the people's will when they impose new taxes and penalties. Instead of being a triumph of the people's will, government action becomes old-time exploitation and repression. The whole thing looks a bit unseemly, at least to those who see politics as potentially uplifting.

As polls have shown that more Americans distrust government, professors have searched for the holy grail— a way to give legitimacy to Leviathan Democracy. "Deliberative Democracy" is the latest fix from the halls of academia.

Deliberative Democracy is different things to different people—but the common thread is that we will gather and be coached on how to discuss politics. Supposedly, if citizens meet and use "public reason" to deliberate on the major issues of the day, government policies will achieve new legitimacy and citizens will again trust Washington.

Deliberative Democracy is a favorite of Ivy League professors and editorial writers. Sen. Barack Obama (D-Illinois), a frontrunner for the Democratic presidential nomination, is hailed as a visionary for invoking Deliberative Democracy. In his latest bestseller, *The Audacity of Hope*, Obama declared that all the Constitution's "elaborate machinery—its separation of powers and checks and balances and federalist principles and Bill of Rights—are designed to force us into a conversation, a 'deliberative democracy,' in which all citizens are required to engage in a process of testing their ideas against an external reality, persuading others of their point of view and building shifting alliances of consent."

In one sense, Obama's comment is typical of the rhetorical clouds that blanket the landscape when Deliberative Democracy is raised. His comment has little or nothing to do with how government works in the real

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world. Many citizens don't test their views against external reality, and most people don't go beyond calling a talk radio show and shouting into the phone to persuade others of their point of view.

In their 1996 book, *Democracy and Disagreement*, Amy Gutmann and Dennis Thompson declared that the core of modern democracy should consist of lofty debates about issues such as whether abortion should be legal, whether welfare should be provided, and whether racial hiring quotas should be imposed. According to Gutmann and Thompson, "Of the challenges that American democracy faces today, none is more formidable than the problem of moral disagreement." Gay marriage is perhaps the preeminent contemporary issue for Deliberative-Democracy advocates. Discussion cures all: "Deliberation is not only a means to an end, but also a means for deciding what means are morally required to pursue our common ends."

Writing in 1993, Gutmann, now president of the University of Pennsylvania, declared, "Deliberative democracy legitimates the collective judgment resulting from deliberative procedures." Gutmann and Thompson propose that citizens should agree to be bound by certain deliberative principles, which, they suggest, "would promote extensive moral argument about the merits of public policies in public forums, with the aim of reaching provisional moral agreement and maintaining mutual respect."

"Public reason" is the key to Deliberative Democracy. What is public reason? Whatever the professors say it is. Professors "explicate" public reason, with results akin to an Iraqi sandstorm. University of Virginia law professor Micah Schwartzman, in his article "The Completeness of Public Reason," revealed: "The purpose of public reason is not to end reasonable disagreement. Rather, it is to provide a suitable framework of values and principles within which citizens may resolve their moral and political differences." Schwartzman stressed that "the indeterminacy of public reason is much less common than its inconclusiveness . . . and there are second-order decision-making strategies that may enable citizens to cope with cases of indeterminacy."

Professor Fred Frohock, author of *Public Reason: Mediated Authority in the Liberal State*, proffered a different vision of public reason, stressing "the *redemptive* powers of uncoerced dialogue on both subjects and participants . . . where the norms of self governance are in the mediated speech acts of public reason rather than in a republican sense of common substantive values and ideals [are] a powerful force to unify persons. This force can make whole the citizens of a liberal democracy. . . . The final *magic* of establishing a set of processes for resolving differences among individuals and groups may be that the effort can yield a political community with benign rather than malicious powers of union." (Emphasis added.)

Thomas Jefferson warned, "In questions of power, let no more be heard of confidence in men, but bind him down from mischief by the chains of the Constitution." But the Constitution has as much restraining effect on politicians these days as Miss Manners' book of etiquette has on a drunken football fan.

The Constitution has as much restraining effect on politicians these days as Miss Manners' book of etiquette has on a drunken football fan.

And what do the professors propose in lieu of a Constitution?

The "magic" of a "set of processes." Will repeating "magic" formulas be like waving a magic wand over the rump of Leviathan Democracy?

The doctrine of "public reason" provides a pretext for professors to wag their fingers at average citizens and chastise them for "not reasoning right." The fact that average citizens often reason badly about politics is no proof that professors reason wisely.

Some Deliberative-Democracy books and articles read like medieval scholastic tracts compared to the lucidity of the *Federalist Papers*. What profound guidance can we expect from professors whose political experience may be limited to clashes in the faculty senate over the ratio of male-to-female bathroom stalls in a new campus office building?

The Fatal Good-Faith Assumption

Deliberative-Democracy advocates stress the need to assume good motives and good faith in deliberations about government. People are supposed to begin

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by assuming that politicians are honest and benevolent, and then discuss how much additional power they should receive to improve other people's lives.

To assume that politicians are acting and talking in good faith is to assume that they pose little or no peril to citizens. The Founding Fathers would have burst out laughing at such an absurd notion. Jefferson observed in 1820, "Whenever a man casts a longing eye on offices, a rottenness begins in his conduct." Citizens are somehow obliged to presume far more good faith in politicians than the government shows in how it treats citizens.

Political scientists almost always understate the perfidy of politicians. It is their occupational blindness, the pervasive error that allows them to masquerade as scientists and not as accomplices. Deliberative Democracy suffers from a white-gloves mentality. But the more important preserving propriety becomes, the easier it becomes for politicians to bury the truth.

Advocates of Deliberative Democracy sound at times as if the citizen discussions would be free-range. But a closer reading of their recommendations shows that professors or their graduate assistants would be waiting to blow their whistle at any comment or question they considered indecorous. "We don't go there" would be the response time and again to citizens complaining about government abuses.

How would a topic like Waco be properly discussed in a Deliberative-Democracy setting?

"Given that we all know that the attorney general loves children . . .

"Given that the FBI are the experts in hostage rescue . . .

"Given that guns are very dangerous except when government agents are pointing them . . .

"What lessons can we draw when people disobey the government and commit mass suicide? And how should we respond to the threats of cultists?"

The "correct" answer would be to boost the FBI budget (which is exactly what Congress did after the April 1993 debacle). The vast majority of political scientists and "public intellectuals" had no criticism of federal action at Waco. This was a problem not of democracy but of disobedience.

And how would a right-reasoning deliberation on the IRS proceed? Can someone say taxation is theft? That would certainly ruin the evening. Instead, the group leader would guide the discussion to how reforms in the Internal Revenue code can reduce the terrible disparity between the rich and the poor. Perhaps there would be a set of questions pre-approved by the National Endowment for the Humanities.

From Social Security to farm subsidies to taxation, the U.S. government has grossly and intentionally misled the American people time and again. George Washington University history professor Leo Ribuffo noted in 1998, "Presidents have lied so much to us about foreign policy that they've established almost a common-law right to do so." Unfortunately, most political scientists are as nonchalant about government dishonesty as is the White House press corps. But no amount of deliberation can substitute for the truth.

If people cannot say that politicians or the government is lying, then "deliberations" merely make them complicit in whatever frauds their rulers perpetrate. An assumption of "good faith" is simply the triumph of hope over experience. And why would politicians suddenly cease lying because citizens are deliberating?

Another Full-Employment Scheme

Professors would set up the rules, and anyone who breached them would be tarred as unreasonable, if not undemocratic. As Harvard professor Peter Berkowitz commented, "Since it shifts power from the people to the best deliberators among them, deliberative democracy . . . is, in effect, an aristocracy of intellectuals. In practice, power is likely to flow to the deans and the directors, the professors and the pundits, and all those who . . . can persuade others of their prowess in high deliberative arts."

Yet the political scientists who would ride shotgun on citizens' deliberations have little or no understanding of the vast majority of U.S. government interventions.

Ask the Deliberative-Democracy advocates to explain how the cotton-subsidy program works, and the result will almost surely be an awkward silence, perhaps accompanied by some paper shuffling.

Ask them the rationale for the Small Business Administration's showering money on politically connected wheelers-dealers, and they would probably offer

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something that a first-year economics student could shred in a New York minute.

Ask them why the U.S. government continues giving foreign aid when studies prove that government-to-government handouts breed corruption and oppression, and their eyes may glaze over—until they recite some phrases about the duty to help humanity or similar bunkum.

But mastery of political-science jargon is all the experts need—as if the latest phrases were the same as a mystic incantation that permits them to see into the soul of the body politic.

Deliberative Democracy would be a No Political Scientist Left Behind Act. The Deliberative-Democracy fad is a reminder of the circular nature of much of political science. Someone comes up with a phrase—others watch and see that it "flies"—and then the race is on to milk the slogan for as many journal articles and books as possible—to use it to snare funding for conferences and, ideally, even for research institutes dedicated to the notion.

Deliberative Democracy is a home run on all counts. The 2005 conference of the American Political Science Association featured presentations on "The Role of Empathy in Deliberative Democracy," "Why Deliberation? Three Fallacies of Aggregative Democracy and Efficiency," and "Emotions and Deliberative Democracy." Academic centers for hyping Deliberative Democracy are spreading like crabgrass, including the Center for Public Deliberation at Colorado State University, Carnegie Mellon University's Southwestern Pennsylvania Program for Deliberative Democracy, the National Coalition for Dialogue and Deliberation, Res Publica ("a community of public sector professionals dedicated to promoting good governance, civic virtue and deliberative democracy"). The boom is also spurring derivatives—including jumbo-sized studies on "discursive democracy," "decisionist democracy," "deliberational democracy" ad nauseam.

Britain has gone far further along the Deliberative-Democracy path than has the United States. Though Britain has no Constitution or Bill of Rights, the government wants to make people feel they are making the decisions—or at least approving what the government has done. Foreign Minister Jack Straw bragged last year: "We have pioneered deliberative democracy within government—and found the public crying out for more."

In January many Brits were outraged after the government announced plans to allow its agencies to easily transfer confidential personal data on citizens among themselves to "improve the efficiency of public services and make life easier for the public," as the *Financial Times* reported. Responding to denunciations of Big Brotherism, Prime Minister Tony Blair announced the creation of "citizens' panels" to discuss the proposal. The *Financial Times* noted, "The government is hoping that its 'citizens' forum' will see the common sense of its data-sharing project, rather than worry about the civil liberties implications, and thereby confer some legitimacy on it." And who will likely control the information the citizens' forum uses to judge the plan? The same government agencies doing the spying.

Britain has gone far further along the Deliberative-Democracy path than has the United States.

The British government can surveil almost whomever it pleases. At the same time, the government uses the Official Secrets Act to prohibit citizens from learning what the government is doing. (Several British government officials have been threatened with prosecution for leaks that revealed government falsehoods about the Iraq war, as well as President Bush's suggestion to bomb Al Jazeera television headquarters in Doha.) The British government could even wiretap the members of the panels to find out who fed them information exposing government falsehoods.

Deliberative Democracy in America

Some advocates assume that deliberation by itself is ennobling. But if deliberation was actually a panacea, then Congress would not be so contemptible. Deliberative Democracy works badly in places where people lavishly pay themselves to deliberate.

"Mutual respect" is one of the most common themes that professors would require citizens to show in deliberations. But what about the politicians? Each political party has rightfully condemned the other for severe abuses of fair play.

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In 2005 the Democratic members of the House Rules Committee issued a report entitled, "Broken Promises: The Death of Deliberative Democracy." They condemned the Republican majority for concocting rules that "severely restrict or sometimes even totally block the minority's ability to debate or amend" major legislation. The report condemned the GOP leadership for "stifling deliberation and quashing dissent." Then-Minority Leader Nancy Pelosi declared that "the House Republican leadership is working feverishly to undermine democracy here at home."

The Democrats were treading hallowed ground. A dozen years earlier, House Republicans issued their own report indicting the Democratic majority for the same crime. Republican Gerald Solomon (R-N.Y.) declared, "The Republican Leadership Task Force on Deliberative Democracy in the House is here today to expose a dirty little secret to the American people, and that is that 248-million Americans have been disenfranchised from full participation in their House of Representatives this year." Solomon was indignant because Republicans were blocked from offering amendments to legislation: "What we are saying in this report is that when you lose the ability to deliberate in a democracy, to be fully informed, and to fully debate and amend legislation so that it is representative of this body and the country, then you have lost the very essence of our constitutional system of government."

Both the Republican minority in 1993 and the Democratic minority in 2005 had legitimate complaints. But the fact that Republicans so quickly copied the abuses of their predecessors is a reminder that herds of politicians will trample whatever they can.

The behavior of congressmen at a typical hearing would get a juror fined and jailed for contempt of court at a trial. Most congressmen do not show up for most hearings, and those who do show up attend sporadically, wandering in and out like bus-station patrons searching for a restroom. Most hearings, especially in the House, showcase members often awkwardly reading questions written out by their aides. An intelligent, spontaneous, piercing follow-up question is as rare as a federal agency requesting a reduction in its budget.

But the hearings are like sagacious philosophic dialogues compared to floor debates. Congressmen from different sides take turns strutting up to microphones stumbling through texts badly written by their staffers. They rarely respond to the other side. They endlessly repeat each other because almost no one attends the floor debates—they simply show up for their scheduled five minutes' bloviating. Anyone who watches a floor "debate" easily gets the impression that Attention Deficit Disorder is rampant in Washington.

Illusion of Control

Professors imply that Deliberative Democracy would allow citizens the chance to take the reins of state. However, Deliberative Democracy is more like the toy dashboard controls with which children pretend to drive.

If government were simply a matter of paperwork or moral calisthenics, then mere deliberations might solve political problems. But the chance to vent at public meetings is scant consolation for the havoc wreaked by government policies. The number of government agencies that can accost, prohibit, penalize, tax, impound, impede, detain, subpoena, confiscate, search, indict, fine, audit, interrogate, levy, wiretap, sanction, and otherwise harass and subjugate the citizen and/or his property has skyrocketed. Few, if any, of the advocates of Deliberative Democracy seem aware that government fires real ammunition into the lives of innocent citizens—from speed traps, to seatbelt checkpoints, to bogus child-abuse investigations, to arresting almost a million marijuana smokers a year.

It is absurd to expect that discussions will resolve differences between people who wish to live as they please and others who demand the power to bring them to their knees. The more power government possesses, the more fruitless deliberations become between aggressors and victims. And yet Deliberative-Democracy sessions are supposed to assume that people who advocate government action are disinterested—as if such issues were the equivalent of choosing among possibilities for a Boy Scout troop project. According to the professors, citizens are obliged to act as if those who want to confiscate their guns or raze their houses are merely misguided—not malicious. Suppose the teachers union takes over the local school board (as has happened in many local school-board elections). What if the school board

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decrees that parents who homeschool their kids are criminals and should be jailed?

Most of the college professors who have rattled on for years about "public reason" and "deliberative democracy" did nothing to oppose the passage of the Military Commissions Act, which effectively legalized torture and suspended habeas corpus for noncitizens. If the Act had had some sub-clause potentially affecting academic freedom or gay marriage, the professors might have rushed to the ramparts. But common, garden-variety dictatorial measures have failed to hold their interest. Neither liberty nor Leviathan are "moral issues" for the vast majority of political scientists.

The town meetings of early 1800s New England, chronicled by Tocqueville and others, were effective because the sphere of government was narrow. The local governments didn't have SWAT teams to send after critics. They did not have a massive statute book that they could throw against anyone who displeased them. They could not wiretap phones and pilfer bank records on a whim. But the more power government captures, the more contempt it can show for citizens.

And how will politicians react to deliberations? At this point in American history, an election victory means whatever the winning politicians say it does. If their oath of office—if their sacred pledge to uphold the Constitution—has no effect on them, why would a committee letter from Butte, Montana, make a difference?

Insofar as government is involved in running the Deliberative-Democracy sessions, they will be as corrupting as high-school civics classes. This is where many Americans learn that government automatically serves them and that it has grown so large because people have so many unmet needs. Government involvement with Deliberative Democracy will assure that people receive one more dose of "Officer Friendly" propaganda.

William Penn, the founder of Pennsylvania, wrote in 1693: "Let the people think they govern, and they will be governed." The greatest danger of Deliberative Democracy is that it creates the illusion of popular control of Leviathan. At best, it would be another way to con people into thinking that they control the government that skewers them. "You had the chance to deliberate, didn't you?" will be the new version of the old refrain: "You had the chance to vote, didn't you?"

Deliberative Democracy is a recipe for docility masquerading as a formula for activism. Deliberative Democracy aims to pacify citizens, not leash politicians. Being permitted to talk about politics is no substitute for being free.

Dignifying the political process is one of the worst evils of the Deliberative-Democracy proponents. If some reform does not provide a useful effective means for citizens to leash their rulers, then it is worse than useless—it is a sop, not a fix. Anything that increases docility breeds oppression.

Deliberative Democracy aims to prop up the curtain around the Wizard of Oz.

Deliberative Democracy is a good example of how pretenses of idealism can sanctify servitude. "Lofty thinking" works out well for professors while common citizens fall into the manholes their schemes leave open. The professors' latest fix is little more than "attitude adjustment" for the American people. Deliberative Democracy will not lighten their chains, but will permit them to initialize their own fetters.

Deliberative Democracy aims to prop up the curtain around the Wizard of Oz—to deter people from seeing or recognizing the iron fist that increasingly domineers their lives.

Unless there is a way to curb politicians' power grabs, then all the talk in the world isn't worth a wooden nickel. The types of deliberations most likely to protect citizens are those of a jury deciding whether a politician or other government official is guilty of high crimes or misdemeanors.

A democratic government that respects no limits on its power is a ticking time bomb, waiting to destroy the rights it was created to protect. There is no substitute for more Americans with the wisdom and the courage to demand that government obey the Constitution and respect their rights.

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The Americanization of Japan

BY NORMAN BARRY

Although it was an up-and-down 2006 for the Japanese economy, there have been signs of an emergence from its long recession. Unlike previous recoveries that proved short-lived, this one shows every indication of being permanent. There are obvious markers of renewed success and some more subtle signals that are possibly more significant.

First, the headlines. The Nikkei closed at above 17,000 at year end. It had reached that figure in April, only to fall back, but now all informed observers are confident that the rise can be maintained in 2007. Furthermore, the giant car producer Toyota has overtaken General Motors as the world's biggest automaker. And of course its profits are much healthier than its American rival, long the world's leader. Production, mainly automobiles and high-tech products, was up in November, the second month running, and consumption increased. The Bank of Japan raised interest rates slightly in February.

But the more elusive pointers to Japan's renewal relate to the changes that are taking place in Japanese business practice: The economy is being Americanized. This is a process that was pioneered by the recently resigned prime minister Junichiro Koizumi with his privatization of the Japanese post office, which will free up to $6 trillion in assets for investment in the private sector. And in the private sector itself there are signs that that much-neglected figure in Japanese business, the shareholder, is becoming the focus of attention. Long the victims of poor returns and exclusion from management of the companies they nominally own, shareholders have for decades been the helpless victims of managerial incompetence and irresponsible arrogance. And it was this protection of management from normal market pressures that did so much to fuel the country's recession. But things are changing: Dividends are up, and the long-cosseted bosses are feeling the pressure of resurgent stockholders.

Oddly enough, evidence of the change can be gleaned from two business scandals that have rocked the normally staid world of Japanese commerce. First, there was the much-publicized Takafumi Horie case. He was a radical financier who upset conservatives with outrageous takeovers via his Livedoor Corp. Of course, his very success provoked the authorities anxious to preserve the respectable Japanese way of making money by making things, like cars, refrigerators, and washing machines. His trial for fraud and "window dressing"—inflating the profits of corporate raiders to make them attractive suitors in a bid—began in September and ended in late February. The result was guilty, and Horie was sentenced to two and a half years in jail. He protested his innocence to the end and is now appealing.

A not-dissimilar case, that of Yoshiaki Murakami, has been much less publicized in the West but is perhaps even more significant. A former civil servant, Murakami was head of M&A Consulting, worth $3.6 billion, which was explicitly designed to press for stockholders' interests. Both revered as a shareholder champion and reviled as an asset stripper, he constantly pressured managers, demanding better performances that were to be reflected by higher dividends. Under constant surveillance by the authorities, he finally confessed to insider dealing, ironically in connection with the bid for Nippon Broad-

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casting that Horie's Livedoor had made. While confessing, he claims he was guilty only of a technicality: He simply heard about the bid and bought stock on his instinct without being in a relationship of trust with either company.

The Horie and Murakami cases certainly herald a new era of business in Japan. This can be seen in the rapidly expanding mergers-and-acquisitions market in which the American financial giant Citigroup has been recently active after it was hit by some setbacks in the early years of this century. In 2006 Citigroup completed deals with a total value of $38.2 billion in Japan. It is bringing American banking practices to the country and is increasing the competition with rival local banks. Of course, the Japanese mergers-and-acquisitions market is much smaller than in America. In 2006 merger deals in Japan were worth $127.6 billion, while in America there were 10,200 with a value of $16 trillion. Still, the Japanese car industry was once much smaller that America's, and now look at Toyota.

All this new business activity must be good news for Japan. It will lead to a more efficient allocation of capital and render the country's economy more flexible and better able to cope with the opportunities of globalization. The Japanese are learning that there is more to making money than making things.

Coming in the June issue of *The Freeman*

Mandated Health-Care Socialism
by John Seiler

Economic Calculation in the Corporate Commonwealth
by Kevin A. Carson

Hayek, Coase, and Buchanan on the Market Process
by Donald J. Boudreaux

Free Men for a More Productive Work Force
by C. L. Dickinson

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Trade and Diversity

BY STEPHEN DAVIES

Trade is one of the oldest of human institutions, and trading relationships are among the most fundamental of all human relationships. Indeed, we may say that networks of peaceful exchange form the skeleton of all complex human societies. One of the most striking features of trade throughout human history is how it connects people who otherwise would be separated by language, culture and belief, or simply distance. This has a number of consequences that have played a great part in the gradual improvement of the human condition, including cultural and intellectual exchange and hybridization.

Today many people complain the world is moving towards bland uniformity. This is usually blamed on "globalization," "global capitalism," or "mass society." In other words, it is the supposed product of trade between different parts of the world, with technology perhaps playing a part. Some critics identify something called "cultural imperialism," a process by which one way of life is spread throughout the world, whether by force or seduction. In reality this is usually a coded way of complaining that everywhere is becoming more like the United States, or what the critics imagine the United States is like.

In fact, this picture is almost the exact opposite of the reality, both historically and in the contemporary world. Today many of the most prominent features of popular culture in many parts of the world come not from the United States but elsewhere, in particular Japan. It is the evidence of history, however, that shows how false the picture described actually is and gives us a better idea of what is actually happening.

A visitor to the palace at Tsarskoe Selo in Russia or the Royal Botanical gardens at Kew in England would find himself confronted with buildings in a Chinese style (a pagoda at Kew and an entire village in Tsarskoe Selo). These are instances of *Chinoiserie*, the deliberate imitation of Chinese models. This was an important part of the cultural history of Europe from the mid-seventeenth century onwards. As trade contacts with Ming and Qing China grew, principally via the Dutch and British East India companies, there was a clear movement of ideas, practices, and styles from China to Europe. This is clearest in the impact of Chinese porcelain on European design and decoration (not to mention ceramics via the many attempts to discover how to make porcelain), but it also affected architecture and furniture. In food there was the introduction of tea (the very word being a derivation of a Chinese original). Something that has not yet had much scholarly attention was the impact of Confucianism on Enlightenment thought, but the evidence suggests that this was considerable.

At the same time, European societies also adopted styles and forms from India and the Ottoman Empire. In Britain this result was the Neo-Mughal style of architecture, as found, for example, at Sezincote House in Gloucestershire or the Royal Pavilion at Brighton. Drinking coffee was of course adopted from the Ottomans, and Turkish and Indian textile designs were widely copied and adapted. There was also the transmission of medical techniques, notably that of inoculation, brought back from Turkey by Lady Mary Wortley Montagu. Another example was the popular phenomenon the "oriental tale," which combined a fantastical view of the Middle East with much of the actual content and stylistic features of Turkish, Arab, and Indian stories.

Nor was this simply a phenomenon of the eighteenth century. If anything it became even more pronounced after 1800. From the 1830s onwards the so-called Neo-Moorish style of architecture, which drew on classical Arab and Turkish forms, was popular throughout Europe and North America. Jews played a major part in encouraging it, and it became the predominant style for syna-

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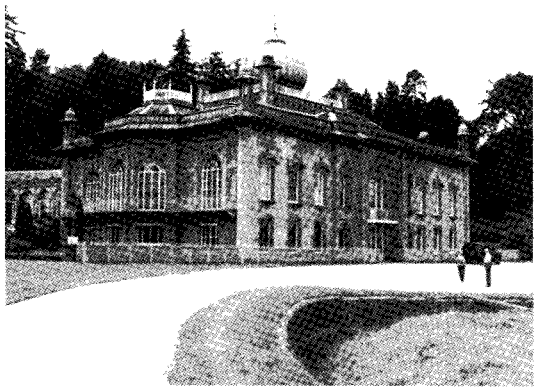
gogues. After Japan came into closer contact with the rest of the world following the Meiji Revolution of 1868, Japanese techniques and styles became tremendously influential and had a huge influence on movements such as Art Nouveau, Surrealism, and Art Deco. Many of the most important artists of the "belle epoque," such as Van Gogh, were strongly influenced, to the extent of producing works in the highly technical Japanese style. At the same time there was another wave of fascination with Chinese motifs and ideas. In fact, what is striking is rather the contrast between the period after about 1910 and what had gone before during the previous 300 years. Beginning that year, until roughly 1980 the flow of ideas, motifs, forms, styles, and practices from other parts of the world into Europe and North America suddenly slowed down dramatically.

The kinds of cultural exchange described were brought about by, and were in some sense a part of, the steady increase in interconnection between people from various parts of the world from the fifteenth century onward. It was trade and migration that led to the spread of ideas, forms, and practices. Conversely, the move toward protectionism and economic nationalism at the end of the nineteenth century not only led to war and economic dis-integration, it also hampered cultural borrowings and led to an emphasis on "pure," particular, and local forms and techniques. The exchanges of course were not one-way. The adoption of Western ways and institutions by Japan, Russia, the Middle East, China, and India are well known. What is overlooked is the flow of influence in the opposite direction and also between other parts of the world outside Europe (for example between India and China).



Sezincote House, Gloucestershire, England

Muddied by Imperialism

The picture is of course muddied by contemporaneous imperialism. This is commonly seen as driven by economic concerns and as intimately related to the exchange relations. However, the two phenomena—imperialism and what is now called "globalization" (increased economic integration)—are independent. Imperialism is best understood as a political phenomenon, being the effort of the ruling classes of various parts of the world to capture the wealth and social transformations created by trade. The trade and the accompanying cultural transfers would have taken place in the absence of imperialism, and often did.

Linking economic integration to imperialism makes us focus on the movement of institutions and forms out of Europe and North America to the rest of the world and to downplay the impact of the rest of the world on them. Moreover, on examination the various cultural phenomena described were clearly not marked by a sense of superiority on the part of Westerners. In the eighteenth century in particular, the Ottoman Empire and India were seen as being generally on a par with Europe, and China as being more civilized and "'advanced." "Oriental" tales and literary forms were commonly borrowed in order to criticize Western societies by contrasting them unfavorably with others. (The *Persian Letters* of Montesquieu are the best-known example of this.)

The direct transfer of ideas, conventions, and cultural forms and practices alongside goods and people can have a significant impact on the recipient culture. In other cases it leads to the appearance of cultural hybrids that combine features from widely separate and contrasting cultures. In this way a process of innovation and intellectual and cultural discovery takes place, which leads to the creation of things that are genuinely new. This process has clearly resumed since about 1980, with Japanese popular culture now enormously influential and Indian cinema beginning to have a worldwide impact, while African art, cuisine, and music are having an influence all over the world.

This is something we should welcome unreservedly. All of history suggests that societies and cultures that are open to outside influences are more creative, productive, and inventive.

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Energy Policy: Wisdom or Waste?

BY ROGER D. MCKINNEY

We can't help ourselves. Americans crave the black gold that pulses through the concrete arteries of our nation's transportation system. In the opinion of many, we have hocked our future for a cheap fix with a drug that abandons our nation to unscrupulous foreign dealers and causes convulsions in the national economy.

President Bush in his 2006 State of the Union speech said, "Here we have a serious problem. America is addicted to oil, which is often imported from unstable parts of the world." The President echoed the sentiments of many Americans that importing oil harms the nation. As part of his plan to combat the threat, he praised the $10 billion his administration has spent on alternative energy sources and proposed a 22 percent increase in such spending. The new Democratically controlled Congress plans to increase taxes on oil companies to pay for even greater subsidies to ethanol producers.

I will challenge the assumptions that imported oil damages the U.S. economy and that government-funded research into alternative energy would provide solutions.

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Does importing oil damage the U.S. economy? Some argue that spikes in oil prices can trigger recessions because they raise costs and force businesses to lay off people. However, as Bharat Trehan of the Federal Reserve Bank of San Francisco wrote in the *FRBSF Economic Letter* in 2005, the record shows that several past recessions started before oil prices rose, suggesting that something else caused the recession, a tightening of monetary policy being the most likely suspect.

Other economists reason that sharp oil-price increases ignite inflation, forcing the Federal Reserve to raise interest rates, but again the evidence against oil is circumstantial at best. Research conducted in 2005 by the San Francisco Fed concludes that oil prices rise and fall with other commodities, such as gold, silver, and copper. Commodity prices respond to changes in the rate of inflation, which the Federal Reserve controls via the money supply. In other words, the Fed is the main culprit in the recent commodity, and oil, price increases.

Common sense tells us that if the money supply remains constant, an increase in oil prices will merely shift spending from other products and services to oil-related ones. As a result, averages prices will not change. Only if the Fed increases the supply of money can consumers spend more on gasoline while maintaining their spending on all other goods and services, thereby causing a general increase in prices.

Evidence of the Fed's complicity in the rising price of oil is found in the fact that oil prices failed to keep pace with inflation from 1986 until about 2003, as the chart below demonstrates. The top curve with the bro-

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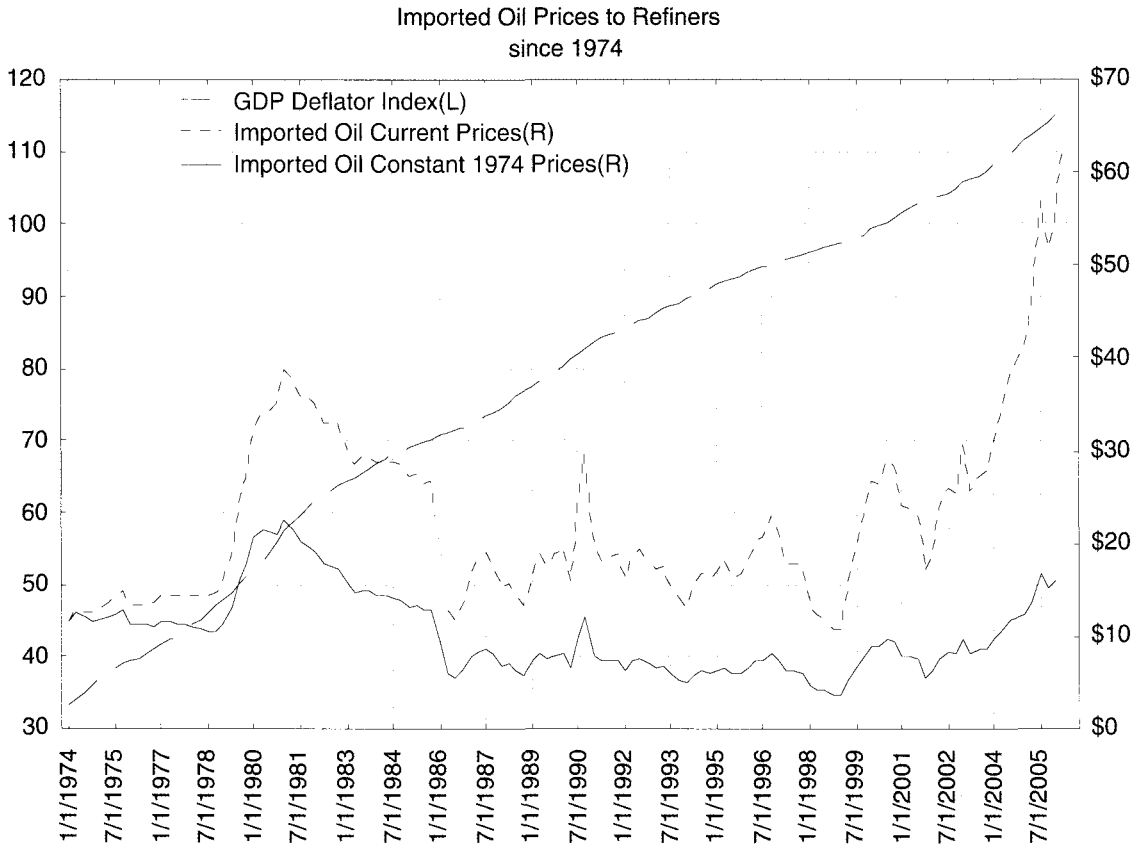

Chart 1

ken line plots the GDP Deflator, an index of price increases across all industries and a measure of the loss in the purchasing power of the U.S. dollar since 1974. The middle, dashed line plots the quarterly average of the actual price of imported oil. The solid line at the bottom indicates what the price of imported oil would have been had the dollar maintained the value it had in 1974. The left scale measures the index and the right measures the two prices of oil.

The chart shows that the purchasing power of the dollar declined by 47 percent from 1986 through 2002 as oil prices averaged $20 per barrel in current dollars. Destruction of the dollar's purchasing power damaged the economies of oil-producing nations because oil prices around the world are set in dollars. By 2002 oil producers were able to purchase only about half as many goods and services with the dollars they received as they had in 1986. From our perspective, we were paying almost half as much for imported oil in 2002, in real dollars, as we paid in 1986.

The price of gasoline since 1990, the latest available from the Department of Energy, demonstrates similar effects, as the chart below illustrates. Gasoline would sell for an average of about $1.70 per gallon today in 1990 dollars. Without taxes, which make up about 20 percent of the price, gasoline would sell for about $1.35 in 1990 dollars.

Others who believe imported oil hurts the U.S. economy insist that the country would prosper if we could keep home the billions of dollars we send overseas to pay for oil imports. However, the country will become poorer if producing any product at home costs us more than if we imported it, whether the products are sweaters from China or oil from Canada. That is because Americans spend the money we save by importing cheaper oil on American-made products, such as movie tickets and music CDs.

In addition, we must examine what happens to the dollars we export in exchange for oil. Foreign holders will spend some of those dollars on American-made products, which increases U.S. exports, but many of

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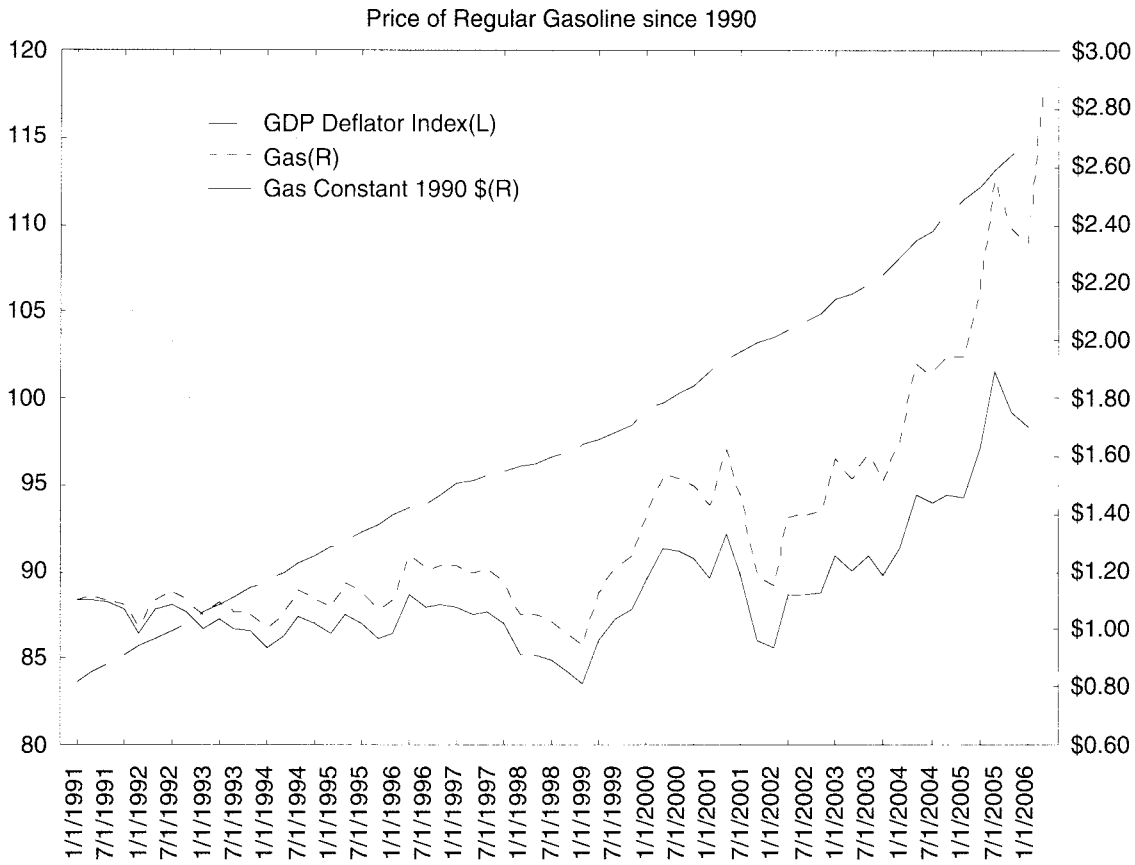

Chart 2

them will return to the U.S. to purchase government and corporate bonds and stocks, and as direct investment in U.S. businesses.

For example, our largest supplier of oil, Canada, reinvested $13.6 billion directly in businesses in the United States; Middle Eastern countries contributed $3.1 billion. Those dollars may travel around the world, being exchanged for European or Asian products, before finding their way home. Altogether, according to the U.S. Bureau of Economic Analysis, foreign investors purchased more than $1 trillion in 2005 of corporate stocks, bonds, and U.S. treasury securities, including $109.7 billion directly invested in companies. Such investment benefits the United States by creating jobs, boosting wages and productivity, strengthening manufacturing, and keeping interest rates low for other businesses.

Will DOE Research Rescue the United States?

President Jimmy Carter responded to soaring oil prices by creating the Department of Energy (DOE) in 1977, empowering it to regulate prices, allocate resources, and fund research. Oil prices peaked in early 1981 at just under $40 per barrel before newly elected President Ronald Reagan eliminated price controls and slashed funding for the DOE.

The price of oil collapsed in 1986, and through 1998 averaged just $17 per barrel for several reasons: Many OPEC countries ignored quotas set by the cartel, while non-OPEC nations increased production. Also, the new technology of horizontal drilling dramatically increased the productivity of new wells. Private enterprise, not the federal government, rescued the country from oil shortages and high prices.

In spite of lower oil prices, the DOE continued funding research into alternative fuels, spending $22.3 billion between 1978 and 1999. It shared costs with the major oil companies, which invested in projects with the greatest potential in the marketplace. For example, private industry carried 71 percent of the burden of research into oil and gas production and upgrading,

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including 87 percent of the cost of research for producing fuel from oil shale, but it contributed just 42 percent of the cost of research for squeezing fuel from coal.

In 2000 Congress appraised the results of its investment and reported it had largely been wasted: "RD&D programs such as coal liquefaction have been extremely risky and prone to cost overruns and generally have yielded relatively small economic, environmental or security benefits relative to their high costs" (*Energy Research at DOE: Was it Worth it? Energy Efficiency and Fossil Energy Research 1978 to 2000*, National Research Council, 2000).

In addition to the DOE funds for research, Congress has spent billions of dollars on ethanol, a form of alcohol made from corn in the United States. Before 1979 the country produced virtually no fuel ethanol. By 1999 the DOE says, we were distilling 1.5 billion gallons per year. To achieve this the federal government spends $725 million each year in subsidies to producers. In addition, the petroleum and ethanol industries received tax incentives estimated between $142.5 and $161.3 billion from 1968 to 2000. The Government Accountability Office assessed the benefits of the ethanol program this way:

> Although the available evidence suggests that the tax incentives for alcohol fuels increase ethanol fuel use, it also indicates that these incentives do not significantly reduce petroleum imports. Therefore, the tax incentives do not significantly contribute to U.S. energy independence. . . . In addition, ethanol tax incentives have not significantly enhanced U.S. energy security. . . .

In 2000 Congress appraised the results of its investment and reported it had largely been wasted.

Still, ethanol supporters point to the success of Brazil's program as a model for what the United States could accomplish. The International Energy Agency says ethanol contributed 15 percent of Brazil's motor-vehicle fuel needs in 2005, but, according to Professor Emilio Lèbre La Rovere of the Federal University of Rio de Janeiro, the Brazilian government spent $10 billion in subsidies over 30 years to save $1.8 billion in imported oil. Brazil encourages the sale of ethanol by taxing gasoline at much higher rates. In March 2006 gasoline sold for $4.69 per gallon, pure ethanol for $3.59. However, ethanol contains just 60 percent of the energy of gasoline, which means that a driver will travel 40 percent fewer miles on a tank of ethanol than one filled with gasoline. So for the price of ethanol to equal that of gasoline in terms of miles per gallon, ethanol would need to sell for $2.81 per gallon in Brazil.

Defending Oil Supplies

The United States spends billions of dollars on the military to protect oil supplies in the Middle East, which amounts to a hidden subsidy to oil importers. This subsidy has inspired many to call for a tax on oil imports to force oil companies to pay for the protection. However, determining which military expenditures relate to protecting oil supplies and those intended for the "war on terror," or normal military activity, will prove difficult. Besides, oil importers will pass the tax on to consumers.

According to the DOE's Energy Information Administration, the United States imports just 16 percent of its oil from the Persian Gulf, and that comes from Saudi Arabia, Kuwait, and Iraq; none comes from Iran, the world's most belligerent producer. Our largest suppliers are Canada and Mexico, so a tax on all imported oil would harm our neighbors and most important trading partners.

Rather than raise taxes to pay for the military costs of protecting oil supplies and shipping routes, Americans should consider whether such protection is necessary. For example, Europe and Asia import the bulk of Middle Eastern oil, so our military expenses in the region amount to a far greater subsidy to those nations. If Europe and Asia want those supplies protected, shouldn't they pay for it?

Suffering from frequent flashbacks to the Arab oil embargo of 1973, Americans shiver at the thought of depending on others for commodities as vital as oil. But in 1973 Middle Eastern nations were so backwards that

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they didn't know what to do with their windfall oil revenues. Since then, oil producers have become addicted to oil income in order to feed their people and pay debts to other nations.

Except for Canada and Northern Europe, most oil-producing nations are very poor. For example, Iran's per capita income today is less than $3,000. About 30 percent of the population lives on less than $4 per day. Iran imports a large amount of its food and gasoline. Poverty and unemployment are high, and oil production stagnant. "In this regard, Iran's threats to use the oil weapon if attacked are hollow at best, because the country cannot fund the most basic programs for too long without the steady flow of oil revenues," according to the Middle East Media Research Institute. In other words, Iran must sell oil in order to feed its people.

Instead of halting all oil imports, Iran might halt exports to Europe while increasing those to Asia. But since oil is fungible, Europe could easily replace Iranian oil with oil from countries that would export less to Asia, such as Canada or Mexico. Americans should realize that the military cost of protecting oil supplies in the Middle East is as wasteful as DOE spending has been.

Americans should realize that the military cost of protecting oil supplies in the Middle East is as wasteful as DOE spending has been.

Was It Worth It?

This isn't the first time the United States has faced an energy "crisis." The major source of artificial lighting in the early 1800s, whale oil, rose from 23 cents per gallon in 1823 to $2.55 per gallon in 1866, an increase of 1,000 percent. However, Canadian geologist Abraham Gesner discovered a method to extract kerosene from petroleum in 1846. Then, in 1859, Colonel E.L. Drake discovered commercial quantities of petroleum in Titusville, Pennsylvania, which soon sold for $20 per barrel. By 1867, kerosene had replaced whale oil, even though the price of whale oil had declined to 40 cents per gallon. Private enterprise had lubricated the transition to a new form of energy, and the nation prospered.

The federal government has wasted hundreds of billions of dollars in the past three decades to achieve energy independence for the United States. What other things could we have bought with that money? At the least, we could have lowered federal deficits and debt.

Today, we are as far from the utopia of energy independence as ever. Political reasons may still exist for achieving self-sufficiency, but not economic ones. And rhetoric about America's oil "addiction" only clouds the issue. Addiction connotes immoral acts that are unnatural and self-destructive, in which we surrender control of our lives to criminals. But the act of importing oil involves none of these. Oil enhances, not destroys, our lives.

The market has solved two energy problems; the federal government has solved none. Shouldn't we abandon 30 years of failed government efforts and let the market work its magic once again?

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Book Reviews

Immigrants: Your Country Needs Them

by Philippe Legrain
Little, Brown • 2006 • 374 pages • $28.00 (Canadian)

Reviewed by Richard M. Ebeling

Between 1840 and 1920, over 60 million people emigrated to North and South America, mostly from Europe. More than 40 million of them came to the United States. They came to escape political oppression, religious persecution, and economic stagnation due to the heavy hand of government on commerce, trade, and industry in the Old World.

During most of this time neither passports nor visas were required. In 1942 the German free-market economist Gustav Stolper referred to this earlier period as the era of the three freedoms: the free movement of men, money, and goods. At a cost as little as the price of a steerage ticket on a ship, anyone could make his way to the shores of America to have a second chance in life—and who, at some time, has not wanted a second chance?

Those immigrants often clustered in port communities made up of people from the same part of the old country. This provided a private safety net that enabled the new arrivals to become acclimated to their new home. Countrymen who had arrived earlier often helped the newcomers obtain shelter, find a first job, start to learn the language, and adjust to a different culture.

Of course, there were opponents of free immigration even during these relatively laissez-faire days of the nineteenth century. They argued that immigrants were arriving in too large a number and that they would never assimilate. It was said that many of the Germans who arrived in the 1860s and 1870s only wanted to speak German, listen to military-band music on Sunday afternoons in the park, and seemed to drink a lot of beer. Then it was said that the Poles and Italians who arrived in large number in the 1880s and 1890s could never be "real" Americans—they were all drunkards and "Pope worshipers," just like those Irish who had arrived even earlier! Then it was the turn of the Eastern European Jews, who came to America in large number in the 1890s and the first decade of the twentieth century—they were accused of being countryside penny-pinching peddlers, as well as being the "Christ killers."

Well, all these people came, and many more from many other lands. We are their lucky descendants. They crossed oceans, gave up all they knew in the old country, so they and we, their children, grandchildren, and great-grandchildren, could be freer and more prosperous than if they had never left their homes. They helped make our unique melting pot of many cultures, languages, religions, and ethnicities a combination that produced something new and special—America.

The nineteenth-century period of free immigration was a momentous epoch in the history of mankind. It is too little understood or appreciated in the new era of legal restrictions on the movement of people.

In his new book, *Immigrants: Your Country Needs Them*, Philippe Legrain tries to explain the benefits that may be expected from permitting a wider door to global migration. He reminds us of the cost that is borne today by those trying to have their second chance. Hundreds of would-be new arrivals to the United States and the European Union never get that chance because they die in the Arizona desert or in the waters off southern Europe as they attempt to get through the border patrols determined to keep them out. A vast black market in human beings feeds corruption, abuse, and violence as the poor and the oppressed try to make it to nations with greater freedom and economic opportunity.

But Legrain's main point is not to tug on our heartstrings by pointing to the tragedy and suffering of modern illegal immigrants—though he wishes us not to forget this human cost. Instead, he wants us to appreciate the economic and social benefits from taking advantage of what new people can offer to the developed and more prosperous nations of the world.

First, he explains that America and Europe can gain from the arrival of low-skilled workers. In fact, our native populations have become so well educated and wealthy by global standards that most of our fellow citi-

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zens are unwilling to do many jobs that need doing for an economy to run smoothly. Who will clean our office buildings, be the nannies for our children, serve as orderlies in our hospitals, mow our lawns, be waiters in our restaurants, or do hundreds of other low-paying but essential tasks? Each earlier wave of immigrants to the United States filled these jobs as the first step to a new life in America. If immigrants can't get on the bottom rung, many tasks may not get done or will cost far more, for they will be done by people who could be profitably employed at more productive jobs.

Legrain understands why there is a greater openness to higher-skilled immigrants who are considered more likely to financially pull their weight and significantly add to the productivity of the workforce. But he argues that it is economically absurd for governments to try to micromanage the selection of new entrants to the workforce. In this case some bureaucrats and politicians, such as in Australia, decide what sectors of the market are or should be expanding and then screen for immigrants who would fit those sectors. Central planning works no better in picking people than in guiding the manufacture of hats and shoes. The market is its own natural attractor for potential immigrants and works far better than the stiff and usually misguided and politically motivated hand of the government.

He also points out that immigrants do not "steal" jobs that otherwise would go to Americans. If there were a fixed number of jobs to be filled, then how would native-born Americans find employment when they reached working age? The fact is there are always more wants that can be satisfied if we have more resources available to do the work—and this includes the two hands and mind that come with each new member of a society. Flexible markets and competitive prices and wages are always able to accommodate greater supplies of useful things, including labor, that can improve the human condition. Furthermore, this "stealing our jobs" view suffers from the "lump of labor" fallacy, namely, that all labor is perfectly interchangeable. Labor skills are just as diverse as resources, raw materials, and specifically designed capital equipment. They complement each other in the market to expand the ability to meet consumer demands. Thus new immigrant workers most often enhance the productivity and demand for other workers in the market, increasing the opportunities of almost everyone in society.

Legrain also challenges the often-expressed fear that current waves of immigrants are threatening the cultural and national identity of the country. He points out that there is no homogeneous American culture. Each new group has both assimilated and added a new element to the cultural mix. Even when most immigrant waves came from Europe in the nineteenth century, they represented a wide variety of languages, religions, cultural heritages, and ethnic backgrounds. They and their descendants have made America different from what it had been. Each generation makes its society distinct from what its grandparents would have taken for "normal" and "American." We should not be afraid of such changes, for future generations will look back on a vast number of them as improvements.

Furthermore Legrain contends that like virtually all earlier waves of immigrants, those coming to America today will slowly but surely end up integrating into the society. The first generation has difficulty with the language, but their children are bilingual, and the grandchildren often do not speak (or do not speak well) their grandparents' original language. The immigrant still feels a strong tie to the old country, where he still has relatives, friends, and all his childhood memories. The immigrant's children may visit the old country and have a hyphenated sense of identity—Polish-American, or Italian-American, or Irish-American, or, today, Dominican-American. But the grandchildren have far less or no such identity. They are just "American."

Finally, Legrain looks at the evidence and shows that the impression that immigrants—especially illegal immigrants—place an excessive burden on the services of the welfare state, and therefore on the American taxpayer, is not borne out by the facts. Even if it were otherwise, legalizing the illegal immigrants would end their underground existence, making them eligible to be fully plundered as taxpayers like the rest of us.

The immigration issue will not go away. Indeed, it will continue to challenge the thinking of Americans and the policies of the government here and in other parts of the world. With all the fears expressed about the dangers from greater immigration, it is important that someone has articulated the benefits that a country

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might expect from having more-open borders. Philippe Legrain does an excellent job in explaining those potential gains, and his book offers important insights into this ongoing debate.

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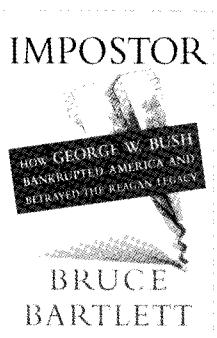
Impostor: How George W. Bush Bankrupted America and Betrayed the Reagan Legacy

by Bruce Bartlett
Doubleday • 2006 • 320 pages • $26.00

Reviewed by William B. Conerly



Economics professors often present public-policy issues as though well-intentioned leaders pull the levers of government to maximize the welfare of the people. Bruce Bartlett in his new book, *Impostor*, tells the dark side of public policy: what happens when a president pulls the levers of government for short-term political gain with no concern for the long-term consequences to public welfare.

Impostor lays out numerous charges that Bush administration economic policy has been driven by short-term political goals. Early on, a 30 percent tariff was slapped on steel imports. The main political goal, according to many observers, was to shore up political support for Republicans in Ohio and Pennsylvania, where some companies and workers would benefit from high steel prices. The tariff also helped Bush work with protectionist Republican members of Congress. In what Bartlett calls doublespeak, the administration said that the tariff was a step toward free trade.

Put aside the question of what President Bush's motivations actually were. Does our structure of economic policy allow the president to conduct policy for short-term political gain, even to the detriment of the welfare of the public? The answer is sadly yes. Although one can fault a president who uses such tools, the greater fault lies with the Congress, which put those tools in place, and with the public, which tolerates the system.

As another example, the President's push for a larger federal role in education is described by Bartlett as an effort to bribe soccer moms into supporting him. This decision didn't convince advocates of a larger federal role in education that Bush was their man. Instead, it merely moved the battlefield so that two sides fought over how to expand the federal role. That the Constitution prescribes no role for the federal government in education was of no concern to the administration.

Similarly, Bartlett sees the President's support for the Medicare drug benefit as Bush's attempt to buy the backing of senior citizens. Bartlett describes the huge unfunded liability created by this benefit as another case of long-run expansion of government undertaken just for fleeting political advantage.

Bartlett's view of President Bush and other recent White House occupants is enhanced by conclusions reached by Public Choice theory. One key conclusion is that politicians will seek programs that have benefits concentrated in a small, cohesive group and costs spread over a population so large that each person's share is inconsequential. Even if the costs far exceed the benefits, so long as the benefits are concentrated and the costs are diffused, political gains are achieved. Again and again, the Bush administration provides examples.

Even the most partisan supporters of the President must recognize that our current structure of economic policy presents the opportunity for bad policy by vote-seeking incumbents. This is the most valuable lesson from *Impostor*.

Although Bartlett wrote his book as an attack on President Bush, along the way he does an excellent job of explaining economics. His discussion of tax policy—incentive effects versus Keynesian theories—is first class. His discussion of the benefits of foreign trade will help any economics student.

For those interested in political battles, Bartlett draws some sad conclusions about how to fight the increase in government. The old-fashioned Republican approach had been to argue for higher taxes to lower budget deficits. The Reagan administration followed a different course: cut taxes to stimulate the economy and to "starve the beast." In the wake of the Reagan tax cuts, the deficit blossomed and Congress felt the need for fiscal restraint. Thus was born the idea that tax cuts would reduce the size of government. According to Bartlett, though,

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Republicans during the George W. Bush administration assumed that all they needed to do to restrain government was to cut taxes. They never followed the tax cuts with fiscal restraint. As a result, the government has grown larger since the Bush tax cuts, not smaller.

Although *Impostor* offers valuable lessons in policy and economics, it's not without some drawbacks. First, some readers will be turned off by the strident tone. In addition, Bartlett spends a fair amount of space laying out what the GOP needs to do to regain political power after the current anti-Bush backlash. That will be irrelevant to many readers who have become disillusioned with partisan politics.

Moreover, Bartlett portrays President Bush as if manipulation of economic policy for political purposes is unusual. A similar book could have been written about almost every past president, Democrat or Republican.

The ultimate takeaway from *Impostor* is simple, although Bartlett doesn't express it directly: those of us who believe in limited government should not put our faith in politicians.

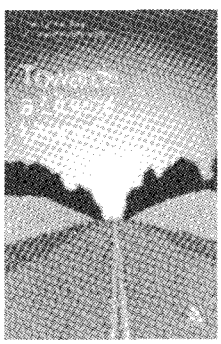
William Conerly (Bill@ConerlyConsulting.com) is an economic consultant and author of Businomics: From the Headlines to Your Bottomline: How to Profit in Any Economic Cycle.

Towards a Liberal Utopia?

Edited by Philip Booth

Continuum International Publishing • 2006 • 312 pages • $29.95

Reviewed by George C. Leef



Towards a liberal utopia? You mean, like Sweden?

No, decidedly not. This wonderful volume comes to us from the venerable British free-market think tank, The Institute of Economic Affairs (IEA). In Britain the term "liberal" has not been subjected to quite the degree of corruption that it has in the United States, and the liberal utopia about which the authors write means a nation where the state has been reduced to its essential order-keeping functions. In a country that has waded so far into the swamp of socialism as Britain, that is an extremely radical vision.

Published to honor the 50th anniversary of the founding of the IEA, the book's essayists playfully imagine that they are looking back at the present from 50 years in the future and speculate as to what has transpired to bring about the liberal utopia. (The full book may be downloaded from the IEA website: www.iea.org.uk/files/upld-book402pdf?.pdf.) The result is at once entertaining and thought provoking as the IEA's crack theoreticians explain how Britain might have metamorphosed from a statist caterpillar to a liberal butterfly in the next half century.

The 21 essays cover a wide range of topics, only a small sampling of which can be noted in a short review. Here are some of my favorites.

Tim and Helen Evans lead off with a piece on the infamous National Health Service, the socialist innovation that has set such a bad example for other nations. "The root of the problem," they explain, "is that British medicine, *all* British medicine (be it state or independent), is ultimately a government sponsored monopoly." They envision a future where the free market has been restored in medical services. What brings that about is the growing revulsion of people against the inefficiency of socialized medicine (long waits for treatment) and the loss of privacy as the state begins to collect information on patients without their consent.

James Tooley writes about the reclamation of education from the grasp of the state. He imagines conducting focus-group sessions in the future in which "people looked back on our obsession with *schooling* with a mixture of horror and bewilderment." The British 50 years hence have given up on government-run education in favor of a system built around family, freedom, and philanthropy. The state does not run the educational system; in fact there isn't really a system at all, but rather individuals and families doing whatever they think best to learn. Released from government control, the market liberates learners and teachers to explore for the ideal arrangements.

J.R. Shackleton tackles the issue of labor-market regulation. Capitalizing on naïve voter beliefs that government action can and should improve the lot of the

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worker, nearly all governments have enacted a host of measures that supposedly do so by interfering with freedom of contract. Shackleton points out that "The true cost of introducing mandated benefits—longer holidays, shorter working hours, paternal leave—does not ultimately reduce the profits of private business: it is instead passed on to workers in the form of cuts in wages and employment." He views all such interventions as inflicting unseen economic damage and proposes the radical change of reinstituting freedom of contract between worker and employer.

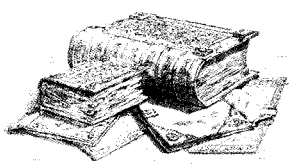
Other excellent essays in the book include liberal approaches to policing, the environment, trade, land-use regulation, limiting taxation, pensions, and constitutionalism.

The second part of the book consists of five chapters written by the late Lord (Ralph) Harris. Harris was one of the founders of the IEA—an act that took great fortitude in the Britain of 1955. In the postwar years Britain had fallen under the spell of Keynesian economic theory and egalitarianism, and Harris writes that the role of the IEA was like that of "a missionary in a pagan land."

With limited resources, Harris and his colleagues had to decide how to maximize their impact. The brilliant economist Arthur Seldon was instrumental in the decision to establish "a niche market specializing in short, scholarly texts aimed principally at teachers and students of economics, but accessible to interested laymen, journalists, and the minority of politicians with a taste for serious reading." Perhaps the most famous of those publications was F. A. Hayek's 1976 monograph advocating the denationalization of money.

Friends of liberty around the globe should be grateful for the efforts of the IEA over the last half century. *Towards a Liberal Utopia* is a most commendable volume, and readers are encouraged to look into the steady stream of IEA books and papers.

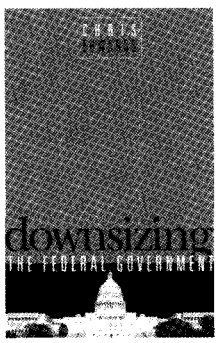
George Leef (georgeleef@aol.com) is book review editor of The Freeman.



Downsizing the Federal Government

by Chris Edwards
Cato Institute • 2005 • 250 pages • $20.00 hardcover; $12.00 paperback

Reviewed by J. H. Huebert



Leonard Read once said that if there were a button that would instantly eliminate all government intervention, he would push it. But since no such button exists, and the federal government is so overwhelmingly large, one who really wants to go about reducing government might reasonably ask: where to begin? A book by Cato Institute scholar Chris Edwards, *Downsizing the Federal Government*, offers some ideas on that question.

Downsizing the Federal Government details the many ways in which the federal government takes our money and spends it on things that are often not merely wasteful, but also harmful. As a solution, it recommends widespread cuts and elimination of major programs. For example, it proposes an end to farm subsidies, corporate welfare, federal housing, and subsidized loans, among many other programs. It calls for complete privatization and revocation of privileges for government-run "businesses," such as the United States Postal Service, Amtrak, and the Tennessee Valley Authority.

The book also calls for steps to prevent new programs from arising and becoming entrenched. For example, Edwards advocates inclusion of a "sunset" provision in all programs and regulations, which would terminate them after a fixed period. He argues, rightly, that advocates of intervention should bear the burden to show why their proposed programs are necessary; the presumption always should be in favor of more liberty and less government.

Though it is refreshing to see a book published in Washington, D.C., that considers ways to reduce rather than expand the federal government, *Downsizing the Federal Government* is not perfect.

The book too often implicitly or explicitly accepts interventionist premises. For example, it concedes that government might be competent or desirable to per-

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form certain functions, such as provide so-called "public goods." While a smaller government such as the one Edwards endorses would indeed be far preferable to the present federal behemoth, a government of any size or scope is nothing more than organized violence and, Ludwig von Mises noted, "the negation of liberty." *Downsizing the Federal Government* would have done well to acknowledge this.

More disturbing is the book's endorsement of Social Security and Medicare "personal accounts," such as those proposed by President Bush and other politicians. These schemes would not increase freedom because they would still forcibly take money from individuals and use it in ways government planners consider best. To genuinely increase liberty in these areas, we need more radical changes that would allow people to keep their own money and use it for any purpose.

One must also wonder who the audience is for this book. Through no fault of the author, detailed descriptions of federal programs and budget numbers are not exactly captivating reading for those of us not fully immersed in the world of public policy. And such facts and figures—again, through no fault of the author—become outdated quickly, as programs proliferate and budgets burgeon. Government will always need to be reduced, of course, but the specifics to which this book devotes so many pages will change—probably some already have. So the book seems to have a limited period of direct usefulness.

Of course, one would like to imagine that our lawmakers will read the book, have a road-to-Damascus experience, and begin making Edwards's proposed cuts immediately. But that will not happen. As Public Choice economists and common sense tell us, politicians are personally motivated to serve interest groups and get reelected. Despite their righteous rhetoric, most are not sincerely interested in what is best for everyone or in reducing the state power they've worked so hard to seize. Instead, politicians are essentially plunderers who steal from the productive and give to the politically favored. This book therefore will not help educate politicians—they know very well what they're doing, and that's why they're in Washington in the first place.

Still, *Downsizing the Federal Government* is largely an admirable book and—at least by Washington standards—a radical one. And it is always possible that some idea within it will find its way to some politician who can use it to his advantage while marginally increasing our liberty. Murray Rothbard, perhaps the most radical libertarian of all, wrote that the supporter of liberty "must take any and every opportunity to chop away at the State, whether it's to reduce or abolish a tax, a budget appropriation, or a regulatory power." *Downsizing the Federal Government* shows numerous ways in which those in power could begin to reduce and abolish right now—if they wanted to.

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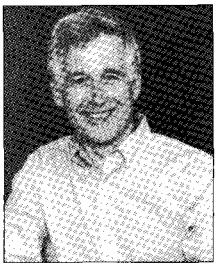
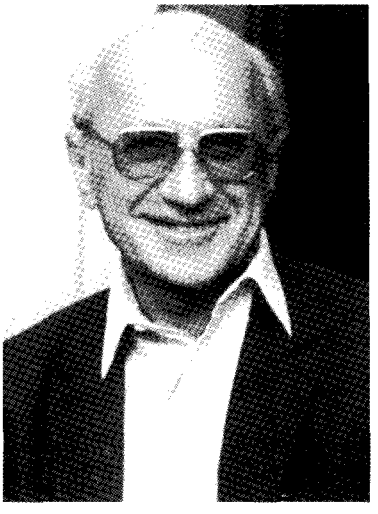


Milton Friedman: A Personal Tribute

BY DAVID R. HENDERSON

So much has been written about Milton Friedman's many contributions to economic research and analysis and to the struggle for economic freedom. My appreciation for him is more personal: He helped change my life.

Like many young people who read and loved Ayn Rand's works, I adopted not just her ideas, but also some of her baggage. The problem was that it was hard for me, at 17, to decide what was baggage and what wasn't. Rand sometimes went overboard but not always. Her denunciations as "evil" of certain people and ideas were justified: Hitler and Nazism and Stalin and communism come to mind. But what about my great Aunt Ruby, one of the neatest old people I knew? Was she evil for voting for the New Democratic Party, Canada's socialist party? For a while I thought so. I don't think that distorted thinking would have lasted long had I never heard of Milton Friedman. But Friedman hastened my transition.



Milton Friedman (1912–2006)

In the summer of 1968 I was paging through *Newsweek* and noticed a column titled, "The Public Be Damned." At the top was a grinning bald guy with glasses named Milton Friedman. I recognized the statement as one that an Ayn Rand hero had used in *Atlas Shrugged*, and I started reading. The column was both disappointing and delightful. Disappointing because Friedman didn't denounce the public; delightful because he gave a logical clear case for allowing competition with the Post Office and turned the statement on its head: "The public be damned" was not an attitude businessmen could afford to have, but was the attitude that the Post Office had. Who was this guy?

I hastened to find out. Realizing that this must be a regular column, I went to my university's library and started working my way backward through his columns, quickly figuring out that I could skip every two—those by economists named Paul Samuelson and Henry Wallich. Only months later did I learn that he had written a book, *Capitalism and Freedom*.

Here's how *Capitalism and Freedom* begins:

> In a much quoted passage in his inaugural address, President Kennedy said, "Ask not what your country can do for you—ask what you can do for your country." It is a striking sign of the temper of our times that the controversy about this passage centered on its origin and not on its content. Neither half of the statement expresses a relation between the citizen and his government that is worthy of the ideals of free men in a free society. The paternalistic "what your country can do for you" implies that the government is the patron, the citizen the ward, a view that is at odds with the free man's belief in his own responsibility for his own destiny. The organismic, "what you can do for your country" implies that the government is the master or the deity, the citizen, the servant or the votary. To the free man, the country is the collection of individuals who compose it, not something over and above them. He is proud of a common heritage and loyal to common traditions. But he regards government as a means, an instrumentality, neither a grantor of favors and gifts, nor a master or god to be blindly worshipped and served.

David Henderson (davidrhenderson1950@gmail.com) is a research fellow with the Hoover Institution and an economics professor at the Graduate School of Business and Public Policy at the Naval Postgraduate School. His latest book, co-authored with Charles L. Hooper, is Making Great Decisions in Business and Life *(Chicago Park Press, 2006).*

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Wow! Remember that Friedman wrote this in 1962, when the worship of Kennedy, in the United States and in Canada, where I lived, was close to its pre-assassination peak. This guy, I thought, has a lot of guts. And he said it so well.

I read on. I loved the whole book, although I had a few disagreements—which I still have—that I won't get into here. There were so many good sections. One of my favorites was his step-by-step analysis of how the American Medical Association had prevailed on the government to restrict the supply of doctors and how we could have quality assurance without licensing of doctors. I found it so persuasive that I followed my mother around our small apartment, reading it at her.

All that year I went to the magazine stand every three weeks to get Friedman's latest column. I stood there reading it because I had budgeted so tightly for college that buying it was a luxury. The next summer I worked in a mine in northern Canada to earn money for my last year of college. I made a lot of overtime money and felt flush enough to actually buy an occasional *Newsweek*. So one weekend, when I calculated that Friedman's latest column would be on the stands, I hitchhiked 40 miles from my mining camp to Thompson, Manitoba, to buy the latest copy. Imagine my disappointment when I opened the *Newsweek* and saw that the article was by Wallich. *Newsweek* must have had a different summer rotation.

A few times in the 1960s I saw Friedman on TV, and I read everything about him I could find. This guy seemed special. Although he was a good writer, Ayn Rand was better and Murray Rothbard was at least as good. So that wasn't it. What was it?

Niceness Underrated

He was nice; and he didn't isolate himself among those who agreed with him but, instead, stepped out in the bigger world. I know that niceness doesn't mean much to many people who spend their lives steeped in ideas, but it meant a lot to me. I had already sensed, from reading and reading about Rand and Rothbard, that there seemed to be a package deal in libertarianism: to hold the idea of freedom in the world, one needed to attack those who disagreed and surround oneself with those who agreed. I didn't want to be that way. I had always wanted to be nice and, except for the few months after I read *The Fountainhead*, when I announced to my mother that I would no longer go to the supermarket for her because that would be self-sacrifice, I *was* nice.

I also wanted to avoid the kind of isolation from intellectual and generational equals that Rand and Rothbard had chosen, and to be in the bigger world. I later saw, when watching Friedman's TV series *Free to Choose* in 1980, just how well Friedman did at disagreeing without being disagreeable. He welcomed all comers, no matter how they disagreed, and he never hit below the belt. I was becoming this way too, but he helped me get there faster.

None of this is to say that Friedman was a cream puff who would never speak truth to power. Two of my three favorite stories from his and Rose Friedman's book *Two Lucky People* illustrate that. The first was his challenging General William Westmoreland when Westmoreland, who favored the draft, referred to volunteers as mercenaries. Friedman countered that if Westmoreland insisted on calling volunteers "mercenaries," Friedman would insist on calling draftees "slaves." Many people in recent months have repeated this story and I quote the story at length in my article, "Milton Friedman: A Tribute" (at http://antiwar.com/henderson/?articleid=10042).

The second is told less often but is even more impressive. In September 1971 Friedman and his former University of Chicago colleague George Shultz, then the administrator of President Nixon's price controls, had a discussion with Nixon in the Oval Office. As Friedman was about to leave, Nixon said the price controls would be ended soon, adding, "Don't blame George for this monstrosity." Friedman answered, "I don't blame George. I blame you, Mr. President."

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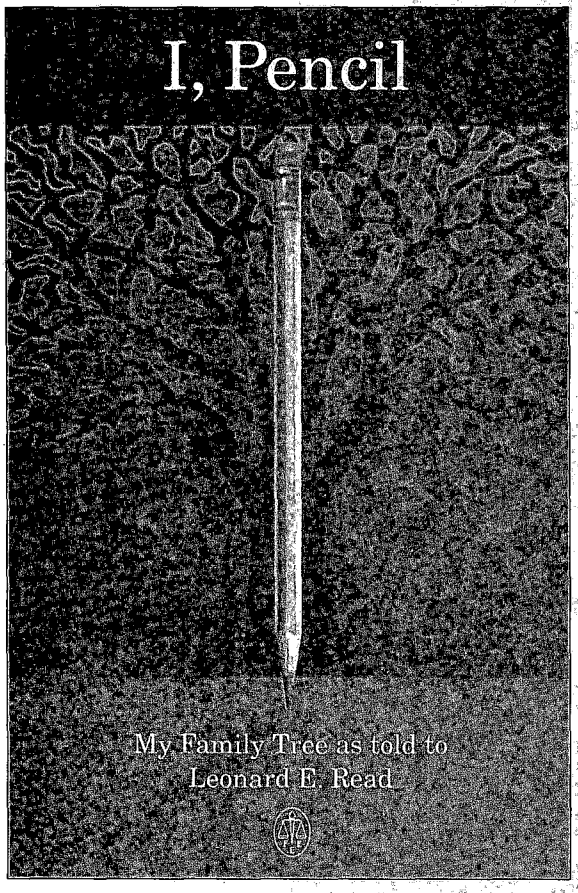

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